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and Debtors in Possession

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X	
	:
In re	:
	:
LEHMAN BROTHERS HOLDINGS INC., et al.,	:
	:
Debtors.	:
	:
-----X	

Chapter 11 Case No.
08-13555 (JMP)
(Jointly Administered)

NOTICE OF AMENDED PROPOSED PLAN IN THE SUNCAL CHAPTER 11 CASES

PLEASE TAKE NOTICE that, pursuant to the Order Pursuant to Federal Rules of Bankruptcy Procedure 6004 and 9019 and Section 363 of the Bankruptcy Code Authorizing Lehman Commercial Paper Inc. to Consummate Transactions Contemplated in the Chapter 11 Plan Proposed by the Lehman Lenders in the SunCal Chapter 11 Cases, dated October 9, 2009 [Docket No. 5420] (the “Order”),¹ Lehman Commercial Paper Inc. hereby files (i) an amended version of the Proposed Plan (the “Amended Proposed Plan”), a copy of which is attached hereto as Exhibit A, and (ii) a disclosure statement for the Amended Proposed Plan, a copy of which is attached hereto as Exhibit B.

Dated: October 16, 2009
New York, New York

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¹ Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Order.

Exhibit A

See Attached.

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**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
SANTA ANA DIVISION**

In re:
Palmdale Hills Property, LLC, and its Related Debtors,
Jointly Administered Debtors
and Debtors-In-Possession

Affects:

- ☐ All Debtors
- ☒ Palmdale Hills Property, LLC
- ☒ SunCal Beaumont Heights, LLC
- ☒ SCC/Palmdale, LLC
- ☒ SunCal Johansson Ranch, LLC
- ☒ SunCal Summit Valley, LLC
- ☒ SunCal Emerald Meadows, LLC
- ☒ SunCal Bickford Ranch, LLC
- ☒ Acton Estates, LLC
- ☒ Seven Brothers, LLC
- ☒ SJD Partners, Ltd.
- ☐ SJD Development Corp.
- ☒ Kirby Estates, LLC
- ☒ SunCal Communities I, LLC
- ☒ SCC Communities LLC
- ☐ SunCal Communities III, LLC
- ☒ North Orange Del Rio Land, LLC
- ☒ Tesoro SF, LLC
- ☒ LB/L-SunCal Oak Valley, LLC
- ☒ SunCal Heartland, LLC
- ☒ LB/L-SunCal Northlake, LLC
- ☒ SunCal Marblehead, LLC
- ☒ SunCal Century City, LLC
- ☒ SunCal PSV, LLC
- ☒ Delta Coves Venture, LLC
- ☒ SunCal Torrance Properties, LLC
- ☒ SunCal Oak Knoll, LLC

Case No.: 8:08-bk-17206-ES
Chapter 11

Jointly Administered Case Nos.

8:08-bk-17209-ES; 8:08-bk-17240-ES;
8:08-bk-17224-ES; 8:08-bk-17242-ES;
8:08-bk-17225-ES; 8:08-bk-17245-ES;
8:08-bk-17227-ES; 8:08-bk-17246-ES;
8:08-bk-17230-ES; 8:08-bk-17231-ES;
8:08-bk-17236-ES; 8:08-bk-17248-ES;
8:08-bk-17249-ES; 8:08-bk-17573-ES;
8:08-bk-17574-ES; 8:08-bk-17575-ES
8:08-bk-17404-ES; 8:08-bk-17407-ES;
8:08-bk-17408-ES; 8:08-bk-17409-ES;
8:08-bk-17458-ES; 8:08-bk-17465-ES;
8:08-bk-17470-ES; 8:08-bk-17472-ES;
and 8:08-bk-17588-ES

**FIRST AMENDED JOINT CHAPTER
11 PLAN PROPOSED BY LEHMAN
LENDERS**

Hearing:

Date: October 15, 2009
Time: 2:00 p.m.
Place: Courtroom 5A
411 West Fourth Street
Santa Ana, CA 92701

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I.

INTRODUCTION

1.1 Prefatory Statement. This *First Amended Joint Chapter 11 Plan Proposed by Lehman Lenders* (the “Plan” or “Lehman Plan”)¹ is Filed by Creditors Lehman Commercial Paper Inc., Lehman ALI, Inc., Northlake Holdings LLC, and OVC Holdings LLC, each in its capacity as agent for the Lehman Successors, and/or as agent and lender in its own right, with respect to the applicable Lehman Loans (referred to in the Lehman Plan as both the Lehman Proponents, with reference to their role as proponents of this Plan, and as the Lehman Lenders, with reference to their other capacities).

The Plan essentially is a blueprint of how the Plan Debtors (*i.e.*, all Debtors in the Cases other than SJD Development and SunCal III) will be structured or liquidated after or as a result of bankruptcy – whether they will survive, the forms of entities they will be, who will own them, and what distributions will be made or required. Among other things, the Lehman Plan designates classes of Claims and classes of Interests, identifies unimpaired and impaired Classes, sets forth a proposal for the satisfaction of all Claims against, and Interests in, the Plan Debtors, and provides adequate means for the implementation of the Lehman Plan. With the Lehman Plan, Holders of Claims and Interests entitled to vote on the Lehman Plan will receive a Ballot for voting on the Lehman Plan and, for Certain Creditors (ES Claimants holding Allowed ES Claims, each as defined below), for voting on whether the Liquidating Trustee should accept or reject, on behalf of and for the benefit of the ES Claimants, the proposed settlement of the Equitable Subordination Claims (the “ES Settlement Offer”) asserted in the pending, relevant action (the ES Action, as defined below) against one or more Lehman Related Parties.

A separate document, entitled *Disclosure Statement With Respect to First Amended Joint Chapter 11 Plan Proposed By Lehman Lenders* (the “Lehman Disclosure Statement”), is being sent as an accompaniment to the Lehman Plan, which may be included in the same envelope as this document or under separate cover. The Lehman Disclosure Statement is intended to provide Creditors with information sufficient to enable Creditors to vote on the Lehman Plan and has been

¹ All capitalized terms have the meanings set forth in Article II of the Lehman Plan.

1 approved by the Bankruptcy Court as containing sufficient information for that purpose. The
2 Lehman Disclosure Statement includes a summary of the Plan Debtors' assets and liabilities, a
3 summary of what Holders of Claims and Interests will receive under the Lehman Plan, a discussion
4 of certain alternatives to the Lehman Plan, and a summary of the procedures and voting
5 requirements necessary for confirmation of the Lehman Plan. Creditors should thoroughly review
6 both the Lehman Plan and Lehman Disclosure Statement before deciding whether Creditors will
7 accept or reject the Lehman Plan (and, if a Creditor is an ES Claimant, whether the Creditor votes
8 for acceptance or rejection of the ES Settlement Offer by the Liquidating Trustee). No solicitation
9 materials, other than the Lehman Disclosure Statement and related materials transmitted therewith
10 and approved for solicitation purposes by the Bankruptcy Court, have been authorized for use in
11 soliciting acceptances or rejections of the Lehman Plan.

12 **1.2 Plan Debtors.** The Lehman Plan applies to 24 of the 26 Debtors, being all of the
13 Debtors other than SJD Development and SunCal III (the Estates of which are believed to hold no
14 Assets of any significant current or potential value).

15 **1.3 Plan Overview.** The Lehman Creditors (*i.e.*, the Lehman Lenders and Lehman
16 Successors) are owed, collectively, approximately \$2 billion secured by deeds of trust on certain of
17 the Remaining Real Estate Projects, certain Cash Collateral and other Assets of the Plan Debtors'
18 Estates. The Debtors have challenged the Lehman Creditors' Secured Claims, contending that (a)
19 certain of the Lehman Creditors' Liens on the Assets of particular Plan Debtors who are obligors
20 under certain Lehman Loans are subject to being set aside because, among other things, other
21 affiliated Debtors, rather than the obligor Plan Debtors, received the benefit of such Lehman Loans
22 (the Cross-Collateralization Claims), and (b) the Claims of the Lehman Creditors should be
23 subordinated to the Claims of certain other Creditors allegedly harmed by the conduct of the
24 Lehman Lenders (the Equitable Subordination Claims). Significantly, the Debtors also have
25 alleged that as a result of these disputes, the applicable Lehman Creditors should not have the right
26 to credit bid in connection with a sale of the Projects owned by the Trustee Debtors. The Lehman
27 Lenders do not concur with these conclusions of the Debtors or with many of the factual
28

1 contentions asserted as supporting or providing a basis for the Cross-Collateralization Claims
2 and/or Equitable Subordination Claims.

3 Nonetheless, to enable the Plan Debtors to emerge from bankruptcy, which the
4 Lehman Lenders believe is in the interest of all Creditors, with a Plan that is fair to all
5 constituencies and best preserves current values and prevents further deterioration in the values of
6 the Assets of the Plan Debtors, the Lehman Proponents have proposed the Lehman Plan. Through
7 the Lehman Plan:

8 (a) The Lehman Lenders will fund \$10 million on the Plan's Effective Date
9 from new transfers of Cash to provide a reserve for a Guaranteed Minimum Distribution payable to
10 Creditors without priority or security (which \$10 million amount can be reduced or eliminated if,
11 *inter alia*, the Credit Bid Conditions are not met or ES Final Judgments are rendered in a sufficient
12 amount, all as reflected in the definition below of "Guaranteed Minimum Distribution");

13 (b) The Lehman Proponents are making an offer to settle the Equitable
14 Subordination Claims in the ES Action through the ES Settlement Offer (\$15 million if all eligible
15 Creditors settle and less if fewer settlements occur) and will make available funding for the ES
16 Settlement Offer either through new Cash transfers or through the use of Cash Collateral;

17 (c) Auctions of the Remaining Real Estate Projects would occur within sixty
18 (60) days after the Plan's Effective Date (in accordance with the Lehman Plan Sale Procedures
19 specified in the Plan), at which third parties may bid and, significantly, at which the Lehman
20 Creditors and other Holders of Allowed Secured Claims may credit bid; provided that any Project
21 acquired by a Lehman Nominee as a result of a credit bid under this Plan shall be subject to a deed
22 of trust (the PRA Recovery Deed of Trust) to be granted to the Liquidating Trustee by the
23 applicable Lehman Nominee as part of a PRA Recovery Security Pool, which serves as collateral
24 for any ES Final Judgment (a final judgment granting some form or manner of equitable
25 subordination in the ES Action, as more fully defined below) and any Cross-Collateralization Final
26 Judgments;

27 (d) Means and a framework are provided for liquidation of the Remaining
28 Other Assets and the distribution of any Residual Cash for Holders of Allowed Claims; and

(e) As part of the *quid pro quo* for the Lehman Plan and for the ability under the Lehman Plan of the Lehman Creditors to obtain control of their collateral through credit bids, the Lehman Creditors are agreeing to afford valuable benefits to the Creditors who are eligible to vote to have the Estates settle their ES Claims (ES Claimants), but who do not settle, which benefits may facilitate the Liquidating Trustee obtaining for such Creditors an ES Final Judgment or may facilitate the Liquidating Trustee's collection of any such judgment. These protections are summarized as follows:

(i) The Lehman Lenders will make available the ES Litigation Loan to enable continued prosecution of the Equitable Subordination Claims in the ES Action;

(ii) The Lehman Creditors are waiving or endeavoring to waive certain defenses, including a defense by Fenway Capital (which the Bankruptcy Court determined is a Lehman Successor) that Fenway Capital is a *bona fide* purchaser for value of certain applicable Lehman Loans, and granting certain specific concessions, described below, that could facilitate the entry and collection of an ES Final Judgment for the Estates of Debtors SJD Partners or Del Rio;

(iii) The Lehman Creditors are providing security for satisfaction of both ES Final Judgments and Cross-Collateralization Final Judgments; and

(iv) To address the possibility of shortfalls in the amount of proceeds available from some applicable Estates to satisfy the amount of any ES Final Judgments that may be obtained for ES Claimants of those Estates, the Lehman Creditors are agreeing to offer as additional collateral for all ES Final Judgments a pool of certain Cash and deeds of trust (PRA Recovery Deeds of Trust) on all Projects on which Lehman Creditors successfully credit bid under the Lehman Plan, such that, where the proceeds of a sale or disposition of a Project *exceeds* any ES Final Judgment of the particular Estate which had owned such Project, such excess proceeds would be available to satisfy other ES Final Judgments at Estates where there was a shortfall.

The overview of the Lehman Plan in this Section 1.3 of the Lehman Plan is not intended to substitute for the Lehman Disclosure Statement or for the more specific terms set forth in the Lehman Plan other than in this Section 1.3 of the Lehman Plan. If there are any discrepancies between the overview provided in this Section 1.3 of the Lehman Plan and the other provisions of

the Lehman Plan, the other provisions shall control. Additionally, the Cases of the Plan Debtors have been jointly administered, but not substantively consolidated. Accordingly, the Lehman Plan provides separate treatment for Holders of Claims and Interests against each Plan Debtor.

II.

DEFINITIONS AND RULES OF INTERPRETATION

2.1 Definitions. The following defined terms are used in the Lehman Plan. Any capitalized term that is not defined in the Lehman Plan, but is defined in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning ascribed to that term in the Bankruptcy Code or the Bankruptcy Rules.

2.1.1 10000 Santa Monica Project. The Project owned by SunCal Century City, located in Century City, California.

2.1.2 Acquisitions. SCC Acquisitions, Inc., a California corporation, and the Debtors' indirect parent, but not a Debtor in any of the Cases.

2.1.3 Acton Estates. Acton Estates, LLC, a Delaware limited liability, a Voluntary Debtor in these Cases, and the owner of the Acton Project.

2.1.4 Acton Project. The Project owned by Acton Estates, located in Los Angeles County, California, as more particularly described in **Exhibit "B"** to the Lehman Plan.

2.1.5 Administrative Claim(s). Any Claim against a Plan Debtor incurred after the applicable Petition Date for such Plan Debtor but before the Confirmation Date for any cost or expense of administration of the Cases of the Plan Debtors entitled to priority under Section 507(a)(2) or (3) of the Bankruptcy Code, including, without limitation, any fees or charges assessed against the Estates of the Plan Debtors under Section 1930 of Title 28 of the United States Code.

2.1.6 Administrative Claim Bar Date. The General Administrative Claim Bar Date and the Administrative Tax Claim Bar Date.

2.1.7 Administrative Tax Claim(s). A request for payment of an Administrative Claim by a governmental unit for Taxes (or for interest or penalties related to such Taxes) for any tax year or period, all or any portion of which occurs or falls within the period from and including the applicable Petition Date through and including the Effective Date.

1 **2.1.8 Administrative Tax Claim Bar Date.** The earlier of (a) any bar date
2 otherwise established by the Bankruptcy Court or (b) on or before the later of (i) sixty (60) days
3 following the Effective Date; and (ii) 180 days following the filing of the tax return for such taxes
4 for such tax year or period with the applicable governmental unit.

5 **2.1.9 Affiliate.** As to any Person, any other Person that directly or indirectly
6 owns or controls, is owned or controlled by, or is under common ownership or control with, such
7 Person. The term "control" (including, with correlative meanings, the terms "controlled by" and
8 "under common control with"), as applied to any Person, means the possession, direct or indirect,
9 of the power to direct or cause the direction of the management and policies of such Person,
10 whether through the ownership of voting securities or other equity ownership interest, by contract
11 or otherwise; provided that as to any Lehman Related Party, the term "Affiliate" does not include
12 any Debtor.

13 **2.1.10 Allowed.** This term is used both separately and in conjunction with other
14 defined terms in the Lehman Plan (*e.g.*, Allowed Tax Claims) and means:

15 a. with respect to any Administrative Claim: (1) if the Claim is based
16 upon a Fee Application, an unsecured Claim in the amount of such Fee Application that has been
17 approved by a Final Order of the Bankruptcy Court; (2) if the Claim is based upon any
18 indebtedness or obligation incurred in the ordinary course of business of the Plan Debtors and is not
19 otherwise subject to an Administrative Claim Bar Date, in the amount of such Claim and with a
20 status as secured or unsecured as each are asserted by such creditor and not disputed by the
21 Liquidating Trustee or the Lehman Lenders, failing which, the amount and secured or unsecured
22 status thereof as fixed by a Final Order of the Bankruptcy Court; or (3) if the Holder of such Claim
23 was required to File and has Filed proof thereof with the Bankruptcy Court prior to an
24 Administrative Claim Bar Date, (i) in the amount and with the status as secured or unsecured and in
25 the statutory priority as stated in such proof of Administrative Claim if no objection to such proof
26 of Administrative Claim is interposed within the applicable period of time, if any, fixed by the
27 Bankruptcy Code, the Bankruptcy Rules, the Bankruptcy Court or the Lehman Plan, or (ii) in the
28 amount and with the status as secured or unsecured and in the statutory priority as fixed by Final

1 Order of the Bankruptcy Court if an objection to such proof was interposed within any applicable
2 period of time so fixed; and (4) in the amount of zero, if the Holder of such Claim was required to
3 File and has not Filed proof thereof with the Bankruptcy Court prior to an Administrative Claim
4 Bar Date, in which event no distribution shall be made on account of such Claim; and

5 b. with respect to any Claim which is not an Administrative Claim: (1)
6 if no objection to such Claim was interposed by the Claims Objection Deadline, (i) if the Holder of
7 such Claim did not File proof thereof with the Bankruptcy Court on or before the Claims Bar Date,
8 in the amount of such Claim and with the status as secured or unsecured and with the statutory
9 priority as listed in the Plan Debtors' Schedules if listed as neither disputed, contingent or
10 unliquidated and (ii) if the Holder of such Claim has Filed a Proof of Claim therefor with the
11 Bankruptcy Court on or before the Claims Bar Date, in the amount and with the status as secured or
12 unsecured and in the statutory priority as stated in such Proofs of Claim; or (2) if an objection to
13 such Claim was interposed by the Claims Objection Deadline, in the amount and with the status as
14 secured or unsecured and in the statutory priority thereof as fixed by Final Order of the Bankruptcy
15 Court; and (3) if the Holder of such Claim did not File proof thereof with the Bankruptcy Court on
16 or before the Claims Bar Date, the Claim is not listed in the Plan Debtors' Schedules or is listed as
17 either disputed, contingent or unliquidated, and the Claim is not deemed Allowed under the terms
18 of this Plan, in the amount of zero and no distribution shall be made on account of such Claim; and

19 c. with respect to a Claim's status as an ES Claim, (1) with ES Claim
20 status if ES Claim status is alleged on the Holder's Ballot in the manner provided therefor and if no
21 objection thereto is interposed by the Claims Objection Deadline, (2) with ES Claim status if
22 alleged by the Liquidating Trustee and either (i) the Lehman Creditors and any surviving
23 Committee consent or (ii) no objection thereto is Filed by the later of the Claims Objection
24 Deadline or seventy-five (75) days after notice thereof to any surviving Committees and the
25 Lehman Creditors or (3) as fixed by Final Order of the Bankruptcy Court; and

26 d. with respect to any Interest, (1) if no objection to such Interest was
27 interposed within the applicable period of time fixed by the Bankruptcy Code, the Bankruptcy
28 Rules, the Lehman Plan or the Bankruptcy Court, (i) if the Holder of such Interest did not File

proof thereof with the Bankruptcy Court within the applicable period of time fixed by the Bankruptcy Code, the Bankruptcy Rules, the Lehman Plan or the Bankruptcy Court, in the number, amount or percentage of such Interest and with the nature thereof as listed in the Plan Debtors' Schedules if listed as neither disputed, contingent or unliquidated and (ii) if the Holder of such Interest has Filed a Proof of Interest therefor with the Bankruptcy Court within the applicable period of time fixed by the Bankruptcy Code, the Bankruptcy Rules, the Lehman Plan or the Bankruptcy Court, in the number, amount or percentage of such Interest and with the nature thereof as stated in such Proof of Interest, or (2) if an objection to such proof was interposed within the applicable period of time fixed by the Bankruptcy Code, the Bankruptcy Rules, the Lehman Plan or the Bankruptcy Court, in the number, amount or percentage of such Interest and nature thereof as fixed by Final Order of the Bankruptcy Court; but

e. with respect to any Administrative Claim, Claim or Interest, the term "Allowed" does not signify whether or not such Administrative Claim, Claim or Interest has been subordinated to another Administrative Claim, Claim or Interest or is entitled to the benefits of such subordination.

2.1.11 Allowed Amount. The amount in which a Claim or Interest is Allowed.

2.1.12 Arch. Arch Insurance Company, a Bond Issuer.

2.1.13 Assets. All assets that are property of the Debtor(s) pursuant to Bankruptcy Code Section 541.

2.1.14 Available Cash. Cash held by each Plan Debtor as of the Effective Date other than Cash Collateral.

2.1.15 Avoidance Actions. All Claims and defenses to Claims accruing to the Plan Debtors and their Estates under Bankruptcy Code Sections 506(d), 510(c), 541, 544, 545, 547, 548, 549, 550, or 551.

2.1.16 Ballot. The ballot to vote to accept or reject the Lehman Plan and to vote for acceptance or rejection of the ES Settlement Offer.

2.1.17 Bankruptcy Code. The Bankruptcy Reform Act of 1978, as amended, as set forth in Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq., as applicable to the Cases.

1 **2.1.18 Bankruptcy Court.** The United States Bankruptcy Court for the Central
2 District of California, having jurisdiction over the Cases and, to the extent of any withdrawal of the
3 reference made pursuant to Section 157 of Title 28 of the United States Code, the United States
4 District Court for the Central District of California; or, in the event such courts cease to exercise
5 jurisdiction over the Cases, such court or unit thereof that exercises jurisdiction over the Cases in
6 lieu thereof.

7 **2.1.19 Bankruptcy Rules.** Collectively, as now in effect or hereafter amended
8 and as applicable to the Cases, (i) the Federal Rules of Bankruptcy Procedure, and (ii) the Local
9 Bankruptcy Rules and General Orders applicable to cases pending before the Bankruptcy Court.

10 **2.1.20 Beaumont Heights Project.** The Project owned by SunCal Beaumont,
11 located in the City of Beaumont, California, as more particularly described in **Exhibit “B”** to the
12 Lehman Plan.

13 **2.1.21 BFP Waiver.** The waiver of the defense to the ES Action by Fenway
14 Capital (which the Bankruptcy Court determined is a Lehman Successor) that Fenway Capital is a
15 *bona fide* purchaser for value of certain applicable Lehman Loans, which waiver shall be applicable
16 only if the Credit Bid Conditions are satisfied and Fenway Capital affirmatively consents in writing
17 to such waiver. (The Lehman Lenders are exercising good faith efforts to obtain the affirmative
18 consent in writing of Fenway Capital to the BFP Waiver.)

19 **2.1.22 Bickford Ranch Project.** The Project owned by SunCal Bickford,
20 located in the City of Penryn, California, as more particularly described in **Exhibit “B”** to the
21 Lehman Plan.

22 **2.1.23 Bickford Second Lien Loan Agreement.** That certain promissory note,
23 dated as of May 25, 2005, in the maximum aggregate principal amount of approximately
24 \$30,000,000, made by SunCal Bickford, as borrower, and payable to the order of Lehman ALI, as
25 lender. The loan made pursuant to and/or evidenced by the Bickford Second Lien Loan Agreement
26 is secured by a second priority deed of trust on the Bickford Ranch Project. The outstanding
27 balance of the loan under the Bickford Second Lien Loan Agreement was not less than
28 \$54,494,059.38 as of the applicable Petition Date.

1 **2.1.24 Bond Claim(s).** Any Claim against the Debtor(s) and a Bond Issuer
2 under various payment or performance bonds issued by a Bond Issuer.

3 **2.1.25 Bond Claimant.** Holder(s) of a Bond Claim.

4 **2.1.26 Bond Issuer(s).** Bond Safeguard and Arch in their capacities as issuers
5 and sureties for payment and performance bonds for the benefit of certain of the Debtors and with
6 respect to and for the benefit of the Projects owned by such Debtors.

7 **2.1.27 Bond Obligation(s).** The alleged obligation(s) of the Bond Obligor(s) to
8 indemnify the Bond Issuers for any payments made by the Bond Issuers to Holders of Bond
9 Claims.

10 **2.1.28 Bond Obligor(s).** Obligors who are liable to a Bond Issuer for any
11 payments made by such Bond Issuer to a Bond Claimant or for performance obligations under any
12 performance bonds issued by such Bond Issuer for the benefit of any of the Debtors or their
13 respective Projects. Arch asserts that the Bond Obligors under payment and performance bonds
14 issued by Arch for the benefit of any Debtor or with respect to any Project are all of the Debtors,
15 Acquisitions and Elieff. Bond Safeguard asserts that the Bond Obligors under payment and
16 performance bonds issued by Bond Safeguard for the benefit of any Debtor or with respect to any
17 Project are the respective Debtors for whose benefit such bonds were issued, Acquisitions and
18 Elieff.

19 **2.1.29 Bond Safeguard.** Bond Safeguard Insurance Company, a Bond Issuer.

20 **2.1.30 Business Day.** Any day, other than a Saturday, a Sunday or a "legal
21 holiday," as defined in Bankruptcy Rule 9006(a); provided that with reference to the date on which
22 something is to be Filed, it shall not include a day on which the applicable court is inaccessible for
23 the purpose of Filing such paper.

24 **2.1.31 Cases.** The chapter 11 cases of the Debtors pending before the
25 Bankruptcy Court.

26 **2.1.32 Cash.** Currency of the United States of America and cash equivalents,
27 including, but not limited to, bank deposits, immediately available or cleared checks, drafts, wire
28 transfers and other similar forms of payment.

1 **2.1.33 Cash Collateral.** This term is used in reference to certain Assets of a
2 Plan Debtor's Estate with the same meaning as set forth in Bankruptcy Code Section 363(a).

3 **2.1.34 Claim.** A claim — as Bankruptcy Code section 101(5) defines the term
4 "claim"— against any Plan Debtor or any Plan Debtor's property, including, without limitation (a)
5 any right to payment from any of the Plan Debtors, whether or not such right is reduced to
6 judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed,
7 legal, equitable, secured, or unsecured and (b) any right to an equitable remedy for breach of
8 performance if such breach gives rise to a right of payment from any of the Plan Debtors, whether
9 or not such right to an equitable remedy is reduced to judgment, liquidated, unliquidated, fixed,
10 contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured.

11 **2.1.35 Claims Bar Date.** For Claims, other than Administrative Claims, the last
12 date for Filing proofs of Claim as was established by order or orders of the Bankruptcy Court
13 entered prior to October 11, 2009, which date was March 31, 2009 for certain Claims; provided
14 that: (a) for Claims arising from the rejection of executory contracts or unexpired leases, the date(s)
15 as set forth in Plan Section 10.4; (b) for Claims resulting from the successful prosecution or
16 settlement of Avoidance Actions, the later of any otherwise applicable date under this paragraph
17 and forty-five (45) days following entry of the Final Order determining such Avoidance Action;
18 and (c) for Claims of governmental units, the later of any otherwise applicable date under this
19 paragraph and 180 days after the date of the applicable order for relief under Bankruptcy Code §§
20 301 or 303, as applicable.

21 **2.1.36 Claims Objection Deadline.** For a Claim other than an Administrative
22 Claim and except as otherwise set forth in the Lehman Plan, the first Business Day following the
23 one hundred and twentieth (120th) day after the later of (a) the Effective Date or (b) the applicable
24 bar date for the Claim; provided that: (a) for the ES Claims of Settling ES Claimants, instead, the
25 first Business Day that is at least sixty (60) days after the Effective Date; (b) upon application to the
26 Bankruptcy Court, the Liquidating Trustee or Lehman Lenders may obtain an extension of any such
27 deadline for up to sixty (60) days for cause shown; and (c) any deadline may be extended by
28 agreement of the potential target of the objection and the Liquidating Trustee or a Lehman Lender.

1 **2.1.37 Class.** Each group of Claims or Interests classified in Article IV of the
2 Lehman Plan pursuant to Sections 1122 and 1123 of the Bankruptcy Code.

3 **2.1.38 Committees.** Collectively, the Voluntary Debtors' Committee and the
4 Trustee Debtors' Committee.

5 **2.1.39 Conclusion of [ES Action, Cross-Collateralization Action(s) or**
6 **Project Related Action(s)]**. As to the applicable action, either (a) the action has been finally
7 resolved or determined through entry of an ES Final Judgment(s), Cross-Collateralization Final
8 Judgment(s), Final Orders settling or dismissing the actions or any combination thereof or (b) as to
9 Cross-Collateralization Actions only, the time for Filing thereof passes without any such action
10 being Filed.

11 **2.1.40 Confirmation Date.** The date on which the Confirmation Order is
12 entered in the Bankruptcy Court's docket.

13 **2.1.41 Confirmation Order.** The order entered by the Bankruptcy Court
14 confirming the Lehman Plan in accordance with the provisions of chapter 11 of the Bankruptcy
15 Code.

16 **2.1.42 Contingent Bid.** This term shall have the meaning ascribed to it in
17 Section 7.9.1 of the Plan.

18 **2.1.43 Contingent Lehman ALI Claims Against SJD Partners.** The Claims
19 of Lehman ALI or its assignees or successors (a) arising under the Pacific Point First Loan
20 Agreement in the amount of \$120,110,237 that is secured by the Pacific Point Project and any
21 proceeds thereof or from its sale or disposition, which is a Claim against SJD Partners and which
22 also is a Secured Claim against SJD Partners contingent upon the set aside of the Pacific Point
23 Foreclosure and (b) arising based upon Lehman ALI's prior second priority Lien under which it
24 foreclosed through the Pacific Point Foreclosure upon its Claim of approximately \$28 million,
25 which is a Claim against SJD Partners contingent upon the set aside of the Pacific Point
26 Foreclosure.

27 **2.1.44 Contingent Lehman ALI Unsecured Claims Against SJD Partners.**
28 The Contingent Lehman ALI Claims Against SJD Partners that are General Unsecured Claims.

1 **2.1.45 Contingent Lehman ALI Secured Claim Against SJD Partners.** The
2 Contingent Lehman ALI Claim Against SJD Partners that is a Secured Claim.

3 **2.1.46 Credit Bid Conditions.** The conditions applicable with respect to the
4 Guaranteed Minimum Distribution and BFP Waiver that both (a) no hearing on the merits is held,
5 and no order is issued by the Bankruptcy Court with respect to the merits of, the Sales Procedures
6 Motion or any similar motion that seeks, in effect, to deny or limit the ability of any Lehman
7 Creditor to credit bid on any or all Projects, unless neither the Trustee nor any Committee Files,
8 supports or prosecutes such motion; and (b) all rights of the Lehman Creditors to credit bid are
9 afforded to them as set forth in the Plan.

10 **2.1.47 Creditor.** Any Person who is the Holder of a Claim against any Debtor
11 that arose or accrued or is deemed to have arisen or accrued or to have matured, or otherwise
12 become due, owing, and payable on or before the applicable Debtor's Petition Date, including,
13 without limitation, Claims of the kind specified in Sections 502(g), 502(h) or 502(i) of the
14 Bankruptcy Code.

15 **2.1.48 Cross-Collateralization Action.** An Avoidance Action against a
16 Lehman Related Party that relates to a Cross-Collateralization Claim that is timely Filed and Filed
17 no later than sixty (60) days following the Effective Date.

18 **2.1.49 Cross-Collateralization Claim.** A Claim against any Lehman Creditor
19 under state or federal fraudulent transfer laws, provided: (a) it is set forth in a complaint Filed no
20 later than sixty (60) days following the Effective Date and (b) such Claim seeks to set aside a
21 Lehman Secured Claim as against a particular Plan Debtor's Estate based on the principal amount
22 of such Lehman Secured Claim against such Plan Debtor's Estate exceeding the funds alleged by
23 the Debtors to have been advanced for the subject collateral or to have directly or indirectly
24 benefitted the applicable Plan Debtor in connection with the applicable Lehman Loan.

25 **2.1.50 Cross-Collateralization Final Judgment.** A Cross-Collateralization
26 Judgment represented by a Final Order.
27
28

1 **2.1.51 Cross-Collateralization Judgment.** Any judgment in favor of the
2 Liquidating Trustee pursuant to or as a result of a Cross-Collateralization Action against a Lehman
3 Related Party.

4 **2.1.52 Danske Bank.** Danske Bank A/S London Branch.

5 **2.1.53 Danske Secured Claim.** The Secured Claim of Danske Bank, a Lehman
6 Successor, arising from the SunCal Century City Loan Agreement.

7 **2.1.54 Debtor(s).** Individually or collectively, the Voluntary Debtors and the
8 Trustee Debtors.

9 **2.1.55 Debtor(s)-in-Possession.** The Voluntary Debtor(s) when acting in their
10 capacity as representatives of their respective Estates in their respective Cases.

11 **2.1.56 Debtors' Third Amended Disclosure Statement.** The Debtors' Third
12 Amended Joint Disclosure Statement Describing Debtors' Third Amended Joint Chapter 11 Plan,
13 dated September __, 2009.

14 **2.1.57 Del Amo Project.** The Project owned by SunCal Torrance, located in the
15 City of Torrance, California, as more particularly described in XX to the Lehman Plan.

16 **2.1.58 Del Rio.** North Orange Del Rio Land, LLC, a Delaware limited liability
17 company, a Voluntary Debtor in these Cases, and the owner and holder of the Del Rio Rights and
18 the Del Rio CFD Bond Proceeds.

19 **2.1.59 Del Rio CFD Bond Proceeds.** All proceeds of those certain bonds to be
20 designated as "City of Orange, Community Facilities District No. 06-01 (Del Rio Public
21 Improvements) 2007 Special Tax Bonds" or similarly designated bonds to be issued by the City of
22 Orange, California in connection with that certain community facilities district established by the
23 City and known as the City of Orange Community Facilities District No. 06-01 (Del Rio Public
24 Improvements).

25 **2.1.60 Del Rio Development Agreement.** Development Agreement, recorded
26 on July 27, 2004 in the Official Records of Orange County, California as Instrument No. 2004-
27 000677141, as amended by (i) that certain First Operating Memorandum, dated August 17, 2006,
28 (ii) that certain Second Operating Memorandum, dated December 5, 2006, (iii) that certain

1 Operating Memorandum No. 3, dated May 22, 2007, and (iv) that certain Operating Memorandum
2 No. 4, dated July 21, 2008.

3 **2.1.61 Del Rio PSA.** That certain Purchase Agreement and Escrow Instruction
4 (Del Rio) dated as of June 14, 2005 by and among Del Rio, as the seller, and Lennar Homes of
5 California and Centex Homes, as the buyers, as assigned by the buyers to Lennar Centex Del Rio
6 Partners, LLC per that certain Assignment of Purchase Agreement and Escrow Instructions dated as
7 of November 14, 2005, as amended by that certain First Amendment to Purchase Agreement and
8 Escrow Instructions (Del Rio) and that certain Second Amendment to Purchase Agreement and
9 Escrow Instructions (Del Rio) dated as of January 30, 2007.

10 **2.1.62 Del Rio Rights.** Collectively, (i) all right, title and interest of Del Rio, as
11 developer or in any other capacity, in, to, under or pursuant to the Del Rio Development Agreement
12 including, without limitation, all any and all Del Rio CFD Bond Proceeds, and (ii) all right, title and
13 interest of Del Rio, as seller, under the Del Rio PSA including, without limitation, all profit
14 participation, proceeds, revenues and income to which Del Rio is or may be entitled thereunder.

15 **2.1.63 Del Rio / SJD Partners Release.** A release (which, as to SJD Partners,
16 must be executed and delivered prior to any setting aside of the Pacific Point Foreclosure and prior
17 to any recovery by a Plan Debtor's Estate with respect to the setting aside of the Pacific Point
18 Foreclosure), in a form reasonably acceptable to the Lehman Lenders, to be executed within forty-
19 five (45) days following the Effective Date by the Liquidating Trustee for the Estate of Del Rio or
20 the Estate of SJD Partners to obtain certain benefits described in Section 7.10.3(b)(ii) of the
21 Lehman Plan that is in a form or substantially the form of the Plan Release set forth in Section 7.12
22 of the Lehman Plan, but (a) without any exception, as matters not to be released, for Cross-
23 Collateralization Claims or Avoidance Actions and (b) with additional releasees consisting of all
24 and any owners of the applicable Project(s) or other Assets that were at any time owned by Del Rio
25 or SJD Partners, as applicable.

26 **2.1.64 Delta Coves.** Delta Coves Venture, LLC, a Delaware limited liability
27 company, a Trustee Debtor in these Cases, and the owner of the Delta Coves Project.
28

1 **2.1.65 Delta Coves Loan Agreement.** That certain Amended and Restated
2 Loan Agreement, dated as of April 20, 2007, by and between Delta Coves, as borrower, and
3 Lehman ALI, as agent and lender, pursuant to which the lenders thereunder made a loan to the
4 borrower in the maximum aggregate principal amount of approximately \$236,000,000. The loan
5 made pursuant to and/or evidenced by the Delta Coves Loan Agreement is secured by a first
6 priority deed of trust on the Delta Coves Project. The outstanding balance of the loan under the
7 Delta Coves Loan Agreement was not less than \$206,023,142.48 as of the applicable Petition Date.

8 **2.1.66 Delta Coves Project.** The Project owned by Delta Coves, located in
9 Bethel Island in Contra Costa County, California, as more particularly described in **Exhibit "B"** to
10 the Lehman Plan.

11 **2.1.67 Detailed Sale Procedures.** The detailed procedures with respect to
12 which the Liquidating Trustee shall sell or convey each of the Remaining Real Estate Projects for
13 which there is a Successful Bidder, either to a third party purchaser, a Lehman Nominee or another
14 Holder of an Allowed Secured Claim, pursuant to and consistent with the Lehman Plan Sale
15 Procedures, in a form acceptable to the Lehman Creditors and Liquidating Trustee or as reasonably
16 proposed by the Lehman Lenders and approved by the Bankruptcy Court at, or after the hearing on,
17 confirmation of the Lehman Plan, as may be modified after the Confirmation Date by agreement of
18 the applicable Lehman Nominee or other owner and Liquidating Trustee or approval of the
19 Bankruptcy Court.

20 **2.1.68 Disputed Claim(s).** All or any part of a Claim that is not Allowed,
21 including, without limitation, all or part of a Claim as to which any one of the following applies: (i)
22 no Proofs of Claim has been Filed with respect to such Claim and it is not deemed Allowed under
23 the Lehman Plan, and either (a) the Claim is not listed in the Schedules or (b) the Claim is listed in
24 the Schedules as unliquidated, disputed, contingent, unknown or in a zero amount, (ii) the liability
25 for, amount, priority or status of the Claim as secured, status as unsecured or status as an ES Claim
26 (a) is the subject of a pending proceeding, whether arbitration, mediation, litigation, adversary
27 proceeding or otherwise; (b) is subject to offset based upon a Filed judgment, Filed order, Filed
28 stipulation or express provision in an executed agreement that was Filed or executed, as

appropriate, after the alleged right to offset arose; (c) is the subject of a timely objection; or (d) is the subject of a request for estimation made in accordance with the Bankruptcy Code, the Bankruptcy Rules, any applicable order of the Bankruptcy Court or the Lehman Plan, in each case that is Filed on or before the Claims Objection Deadline, provided that any such proceeding, objection, or request for estimation has not been dismissed, withdrawn or determined by a Final Order; or (iii) the Claim is otherwise treated as a "Disputed Claim" pursuant to the Lehman Plan.

2.1.69 Distribution(s). Payment(s) to Holder(s) of an Allowed Claim(s) or Allowed Interest(s) that are provided for under the Lehman Plan.

2.1.70 Distribution Agent. The Liquidating Trustee.

2.1.71 Distribution Date. With respect to any Allowed Claim or Allowed Interest, the date on which a Distribution is required to be made under the Lehman Plan.

2.1.72 Effective Date. A date selected by the Lehman Lenders, but in no event later than the sixtieth (60th) day after the Confirmation Date.

2.1.73 Elieff. Bruce Elieff, the manager of Acquisitions, the indirect parent of all of the Debtors.

2.1.74 Emerald Meadows Project. The Project owned by SunCal Emerald, located in the City of Rubidoux, California, as more particularly described in **Exhibit "B"** to the Lehman Plan.

2.1.75 Encumbrance. Any Lien (statutory or otherwise), hypothecation, encumbrance, security interest, mortgage, pledge, restriction, charge, instrument, unassumed affirmative obligations under development agreements or subdivision improvement agreements, license, preference, priority, security agreement, easement, covenant, encroachment, option or other interest in the subject Project, including any right of recovery, tax (including foreign, federal, state and local tax), Order of any governmental authority or other claim there against or therein, of any kind or nature (including (i) any conditional sale or other title retention agreement and any lease having substantially the same effect as any of the foregoing, (ii) any assignment or deposit arrangement in the nature of a security device, (iii) any claims based on any theory that the acquirer is a successor, transferee or continuation of the sellers or their business, and (iv) any leasehold

1 interest, license or other right, in favor of a person other than the transferor in connection with a
2 sale or conveyance, to use any portion of the subject Project), whether secured or unsecured, choate
3 or inchoate, filed or unfiled, scheduled or unscheduled, noticed or unnoticed, recorded or
4 unrecorded, contingent or non-contingent, material or non-material, known or unknown.

5 **2.1.76 Equitable Subordination Claims.** Claims for equitable subordination
6 pursuant to Bankruptcy Code § 510(c) held by an Estate for an ES Claimant against a Lehman
7 Creditor.

8 **2.1.77 ES Action.** That certain adversary proceeding Filed in the Cases on
9 behalf of all Trustee Debtors and 13 of the Voluntary Debtors and pending before the Bankruptcy
10 Court as Adversary Case No. 8:09-ap-01005.

11 **2.1.78 ES Claim.** A Claim, including a Bond Claim and Bond Obligation,
12 against an ES Plan Debtor for “new value” (as defined in 11 U.S.C. section 547(a)(2) and as that
13 section is interpreted with reference to controlling law for the Bankruptcy Court) voluntarily
14 provided or voluntarily extended to one or more of the ES Plan Debtors after the ES Date and prior
15 to the applicable Petition Date(s); provided that such Claim is not a (i) Secured Claim, (ii)
16 Administrative Claim, (iii) Priority Tax Claim, (iv) Priority Claim, (v) Claim of an Insider or (vi)
17 Claim of either a Lehman Lender or Lehman Successor in such capacity. *E.g.*, ES Claims do not
18 include Claims provided or extended pursuant to a legal or contractual commitment or obligation
19 existing prior to the ES Date. ES Claims are entitled to vote on the ES Settlement as set forth in the
20 Lehman Plan.

21 **2.1.79 ES Claimant.** The Holder of an Allowed ES Claim.

22 **2.1.80 ES Claimant Release and Assignment.** In exchange for the
23 commitment of the Lehman Lenders under the Lehman Plan to make available funding for the ES
24 Pro Rata Settlement Payments from, among other sources, Cash Collateral of the Lehman Creditors
25 as of the Effective Date, in returning its Ballot accepting the ES Settlement Offer, each Settling ES
26 Claimant by Vote (“releasor”) shall execute a release and assignment reflecting the following and
27 shall be deemed to release and assign as follows: (a) the releasor shall release the ES Claimant
28 Released Claims from and against all Lehman Releasees and all and any owners of the applicable

1 Project(s) (that were at any time owned by the Plan Debtor against which the applicable Allowed
2 ES Claim is asserted), including the Lehman Nominees, which owners are or were successors or
3 assigns of the applicable Debtor, and (b) to the extent such ES Claimant Released Claims cannot be
4 released by the releasor, the releasor assigns to the applicable Lehman Lender (or if multiple
5 applicable Lehman Lenders, the Lehman Lender holding the most senior Lien against the
6 applicable Estate's Project), all rights, benefits and interests of the releasor, including rights to Net
7 Cash Litigation Recoveries, with respect to the ES Claimant Released Claims, all as more fully set
8 forth in Section 7.10.2(b)(ii) of the Lehman Plan.

9 **2.1.81 ES Claimant Released Claims.** Any and all causes of action, actions,
10 rights of action, suits, judgments, liens, indebtedness, damages, losses, claims, liabilities,
11 obligations, attorneys' fees, costs, expenses and demands of every kind and character, whether
12 known or unknown, suspected or unsuspected, disclosed or undisclosed, including without
13 limitation any Litigation Claims, whether for damages, subordination or other remedies, and
14 including any and any objections or defenses to Lehman Related Party's Claims, Liens, rights, or
15 causes of action, to the extent attributable or related to the ES Claims of the releasing Person or to
16 the extent that the Net Cash Litigation Recoveries therefrom would be payable in respect of the ES
17 Claims of such releasing Person.

18 **2.1.82 ES Date.** August 1, 2007, the earliest date on which the Lehman Lenders
19 are alleged to have engaged in inequitable conduct as described in that certain adversary proceeding
20 Filed in the Cases and pending before the Bankruptcy Court as Adversary Case No. 8:09-ap-01005.

21 **2.1.83 ES Final Judgment.** An ES Judgment represented by a Final Order.

22 **2.1.84 ES Judgment.** A judgment in the ES Action in favor of the Liquidating
23 Trustee on behalf of and for the benefit of any particular group of ES Claimants in connection with
24 any of the Equitable Subordination Claims against a Lehman Related Party.

25 **2.1.85 ES Litigation Expenses.** The reasonable and direct out-of-pocket
26 expenses (but not any legal fees): (a) of and incurred by any replacement legal counsel to Miller
27 Barondess, LLP, that is retained by the Liquidating Trustee on a contingency fee basis to prosecute
28 the Equitable Subordination Claims of any ES Plan Debtor's Estate in the ES Action; (b) which are

1 in excess of any Available Cash in the Post-Confirmation Accounts; and (c) which were incurred in
2 connection with prosecuting the Equitable Subordination Claims in the ES Action; provided that (i)
3 such expenses shall, under no circumstances, include any legal fees (including paralegal fees) or
4 other fees of professionals employed by, or of, the replacement legal counsel or any other law firm
5 (other than the reasonable fees and costs of any retained attorney expert witness) nor (ii) shall such
6 expenses include any fees or expenses incurred or otherwise payable to Miller Barondess, LLP.

7 **2.1.86 ES Litigation Loan.** A loan to be made available by a Lehman Lender
8 pursuant to the terms and conditions of and as further described in Section 7.10 of the Lehman
9 Plan.

10 **2.1.87 ES Litigation Proceeds.** The proceeds of any ES Final Judgment or
11 settlement (other than the ES Settlement) with respect to Non-Settled ES Claims.

12 **2.1.88 ES Plan Debtors.** All of the Plan Debtors other than: Kirby Estates;
13 Seven Brothers; SunCal Beaumont; SunCal Century City; and SunCal Johansson

14 **2.1.89 ES Pro Rata Settlement Payment.** A payment to any particular Holder
15 of an Allowed ES Claim equal to the ES Settlement Amount multiplied by a fraction, the numerator
16 of which shall be the amount of such Holders' Allowed ES Claim and the denominator of which
17 shall be the amount of all Allowed ES Claims and all Allowed Mechanic's Lien Claims.

18 **2.1.90 ES Settlement.** The settlement or settlements of Equitable Subordination
19 Claims relating to any particular Estate of a Plan Debtor upon acceptance of an ES Settlement
20 Offer.

21 **2.1.91 ES Settlement Amount.** The maximum aggregate amount of
22 \$15,000,000 to be made available to the Liquidating Trustee collectively by the Lehman Lenders as
23 provided in Section 7.6 of the Lehman Plan to fund any ES Pro Rata Settlement Payments to be
24 made to the ES Claimants who vote for acceptance of the ES Settlement Offer on their Ballots and
25 return with the Ballots ES Claimant Release and Assignments (included with the Ballots) duly
26 executed by such ES Claimants or who are deemed to have accepted or who are otherwise bound
27 by, the ES Settlement pursuant to the terms of the Lehman Plan.
28

1 **2.1.92 ES Settlement Offer.** The offer of the applicable Lehman Lender to
2 settle the Equitable Subordination Claims relating to any particular Estate of an ES Plan Debtor by
3 payment of the ES Pro Rata Settlement Payments either (a) to all Holders of Allowed ES Claims
4 against such Estate who return a duly executed ES Claimant Release and Assignment, if there is
5 Estate Acceptance of the ES Settlement by such Estate, or (b) only to the Holders of Allowed ES
6 Claims against such Estate who vote for acceptance of the ES Settlement Offer on their Ballots and
7 return with their Ballots duly executed ES Claimant Release and Assignments, if there is not Estate
8 Acceptance of the ES Settlement by such Estate.

9 **2.1.93 Estate or Estates.** The bankruptcy estates of the Debtors created
10 pursuant to Section 541 of the Bankruptcy Code.

11 **2.1.94 Estate Acceptance of the ES Settlement.** The circumstance by which
12 the Estate of a Plan Debtor accepts the ES Settlement Offer, which occurs if at least one-half in
13 number and two-thirds in amount of the voting ES Claimants in such Estate vote for acceptance of
14 the ES Settlement Offer on their Ballots and (unless waived by the Lehman Lenders as to one or
15 more Ballots) return with their Ballots a duly executed ES Claimant Release and Assignment.

16 **2.1.95 Estate ES Settlement Release.** In exchange for the commitment of the
17 Lehman Lenders under the Lehman Plan to make available funding for the ES Pro Rata Settlement
18 Payments from, among other sources, Cash Collateral of the Lehman Creditors, as of the Effective
19 Date, the Estate of each Plan Debtor as to which there is a Settling ES Claimant, on behalf of itself
20 and its Affiliates exclusive of other Debtors in these Cases, shall be deemed to release all claims,
21 including without limitation any Litigation Claims to the extent attributable to the ES Claims of the
22 Settling ES Claimants or to the extent that the Net Cash Litigation Recoveries therefrom would be
23 payable in respect of the ES Claims of the Settling ES Claimants, from and against all Lehman
24 Releasees and all and any owners of the applicable Project(s) (that were at any time owned by the
25 Plan Debtor of the releasing Estate), including the Lehman Nominees, which owners are or were
26 successors or assigns of the applicable Debtor, all as more fully set forth in Section 7.10.2(b)(i) of
27 the Lehman Plan.
28

1 **2.1.96 Fee Applications.** Applications of Professionals under Sections 330, 331
2 or 503 of the Bankruptcy Code for allowance of compensation and reimbursement of expenses in
3 the Cases.

4 **2.1.97 Fenway Capital.** Fenway Capital Funding LLC, which owns or holds a
5 legal or equitable interest in all or a portion of the Lehman Loans made pursuant to and/or
6 evidenced by the following loan agreements, but for which a Lehman Lender nonetheless continues
7 as agent: (a) SunCal Communities I Loan Agreement; (b) Ritter Ranch Loan Agreement; (c)
8 SunCal PSV Loan Agreement; (d) Delta Coves Loan Agreement; (e) SunCal Marblehead / SunCal
9 Heartland Loan Agreement; (f) SunCal Oak Valley Loan Agreement; and (g) SunCal Northlake
10 Loan Agreement.

11 **2.1.98 Filed.** Delivered to, received by and entered upon the legal docket by the
12 Clerk of the Bankruptcy Court. "File" and "Filing" shall have correlative meanings.

13 **2.1.99 Final Order.** A final and non-appealable judgment, order, ruling or other
14 decree issued and entered by a court of competent jurisdiction.

15 **2.1.100 General Administrative Claim Bar Date.** The last date fixed by the
16 Lehman Plan for the filing of Proofs of Claim or requests for payment of Administrative Claims
17 other than for Taxes. Under the Lehman Plan, the General Administrative Claim Bar Date shall be
18 the first Business Day after the sixtieth (60th) day after the Confirmation Date.

19 **2.1.101 General Unsecured Claim.** A Claim, including a Bond Claim and Bond
20 Obligation, against a Plan Debtor that is not (a) a Secured Claim, (b) an Administrative Claim, (c) a
21 Priority Tax Claim, (d) a Priority Claim or (e) an ES Claim.

22 **2.1.102 Guaranteed Minimum Distribution.** An amount equal to \$10 million
23 less (a) one-third of the aggregate amount of all ES Pro Rata Settlement Payments and less (b)
24 100% of the amount of any ES Final Judgment; provided that the Guaranteed Minimum
25 Distribution shall be zero if the Credit Bid Conditions are not satisfied and never shall be less than
26 zero.

27 **2.1.103 Heartland Project.** The Project owned by SunCal Heartland, located in
28 Riverside County, California, as more particularly described in **Exhibit "B"** to the Lehman Plan.

1 **2.1.104 Holder.** The beneficial owner of any Claim or Interest.

2 **2.1.105 Initial Bid.** This term shall have the meaning ascribed to it in Section
3 7.9.1 of the Plan.

4 **2.1.106 Insider.** (1) A Person other than a Lehman Related Party that is an
5 “insider” as defined in Bankruptcy Code Section 101, (2) an Affiliate of a Person or (3) without
6 limiting the foregoing, as to all Debtors, *inter alia*, each other Debtor, SunCal Management, LLC,
7 Acquisitions, Elieff, Voss, Cook & Thel LLP, Greenfield Communications, SunCal Master Venture
8 Member, LLC and SunCal Del Rio, LLC.

9 **2.1.107 Interest.** Any equity security or interest in any Plan Debtor within the
10 meaning of Section 101(16) of the Bankruptcy Code, including, without limitation, any equity
11 ownership interest in any of the Plan Debtors, whether in the form of common or preferred stock,
12 stock options, warrants, partnership interests, membership interests, or any other equity security or
13 interest.

14 **2.1.108 Interim Loan Agreement.** That certain Loan Agreement, dated as of
15 October 31,2007, by and between SCC LLC, as borrower, and Lehman ALI, as agent and lender,
16 pursuant to which the lender thereunder made a loan to the borrower in the maximum aggregate
17 principal amount of approximately \$20,000,000. The outstanding balance of the loan under the
18 Interim Loan Agreement was not less than \$23,795,012.59 as of the applicable Petition Date. The
19 loan made pursuant to and/or evidenced by the Interim Loan Agreement is supported by a
20 Subsidiary Guaranty made by SCC Communities, Tesoro and Del Rio and the obligations of the
21 guarantors thereunder are secured by (a) a first priority deed of trust on the Joshua Ridge Project;
22 (b) a first priority deed of trust on the Tesoro Project; and (c) an assignment of the Del Rio CFD
23 Bond Proceeds.

24 **2.1.109 Johannson Ranch Project.** The Project owned by SunCal Johannson,
25 located in the City of Modesto, California, as more particularly described in **Exhibit “B”** to the
26 Lehman Plan.
27
28

1 **2.1.110 Joshua Ridge Project.** The Project owned by SCC Communities,
2 located in the City of Victorville, California, as more particularly described in **Exhibit “B”** to the
3 Lehman Plan.

4 **2.1.111 Kirby Estates.** Kirby Estates, LLC, a Delaware limited liability
5 company, a Voluntary Debtor in these Cases, and the owner of that portion of the Summit Valley
6 Project not owned by SunCal Summit Valley or Seven Brothers.

7 **2.1.112 LCPI.** Lehman Commercial Paper Inc., a New York corporation.

8 **2.1.113 Lehman Administrative Loans.** (a) The post-petition financing
9 provided by Lehman ALI to Palmdale Hills, SunCal Emerald, SunCal Bickford, Acton Estates,
10 SunCal Oak Valley, SunCal Heartland, SunCal Northlake, SunCal Marblehead, SunCal Century
11 City, SunCal PSV, Delta Coves, and SunCal Oak Knoll, under which first priority priming Liens
12 were granted to Lehman ALI on all borrower Debtors' assets (with the exception of SunCal Century
13 City in which the Liens are junior priority), and as to which financing, super-priority administrative
14 status was afforded and the automatic stay was modified to the extent necessary to implement the
15 financing (the aggregate amount of such loans to all of the borrower Debtors was not less than
16 \$1,790,572, as of October 11, 2009); (b) any post-petition financing provided by any Lehman
17 Related Party after September 23, 2009 to any of the Debtors or their Estates pursuant to an order
18 of the Bankruptcy Court; and (c) all interest, fees and other charges thereupon.

19 **2.1.114 Lehman ALI.** Lehman ALI, Inc., a Delaware corporation

20 **2.1.115 Lehman ALI's Bickford Second Lien.** The Liens of Lehman ALI or its
21 assignee or successor against SunCal Bickford Ranch, including a second priority deed of trust on
22 the Bickford Ranch Project and certain personal property, arising from the Claims under the
23 Bickford Second Lien Loan Agreement in the Allowed Amount of \$56,494,059.38.

24 **2.1.116 Lehman Appeal.** Any appeal by a Lehman Related Party relating to the
25 Equitable Subordination Claims in the ES Action or any Cross-Collateralization Claims in a Cross-
26 Collateralization Action.

1 **2.1.117 Lehman Appeal Affected Debtor.** Any Estate of a Plan Debtor that
2 cannot close due to a pending Lehman Appeal concerning such Estate's Assets or liabilities,
3 including subordination of certain of its liabilities to other of its liabilities.

4 **2.1.118 Lehman Commercial.** Lehman Commercial Paper Inc., a New York
5 corporation.

6 **2.1.119 Lehman Commercial's SCC Palmdale Lien.** The Liens of Lehman
7 Commercial or its assignee or successor against SCC Palmdale, including a pledge of SCC
8 Palmdale's interests in Palmdale Hills, arising from the Claims under the SCC Palmdale Loan
9 Agreement in the Allowed Amount of \$119,664,305.25.

10 **2.1.120 Lehman Commercial's SunCal I Lien.** The Liens of Lehman
11 Commercial or its assignee or successor against SunCal I, including pledges of SunCal I's equity
12 membership interests in Acton Estates, SunCal Summit Valley, SunCal Beaumont, SunCal
13 Johannson, SunCal Bickford, and SunCal Emerald, arising from the Claims under the SunCal
14 Communities I Loan Agreement in the Allowed Amount of \$343,221,391.06.

15 **2.1.121 Lehman Creditor.** Lehman Lender or Lehman Successor.

16 **2.1.122 Lehman Creditor Party.** Lehman Lender, Lehman Successor, the direct
17 or indirect parent of either, or an Affiliate of either that is wholly owned by the Lehman Lender,
18 Lehman Successor or by a direct or indirect parent of such Lehman Lender or Lehman Successor.

19 **2.1.123 Lehman Disclosure Statement.** The Amended Disclosure Statement
20 With Respect to *First Amended* Joint Chapter 11 Plan Proposed By Lehman Lenders.

21 **2.1.124 Lehman Lender.** Lehman ALI, Lehman Commercial, Northlake
22 Holdings or OVC Holdings, including each in its capacity as agent, or agent and lender, with
23 respect to the applicable Lehman Loans (and, collectively, the "Lehman Lenders"). Any funding
24 obligation or similar commitment of the "Lehman Lenders" under the Lehman Plan is a singular,
25 aggregate obligation as to the amount or obligation specified, and thus will be satisfied by a single
26 satisfaction thereof.

27 **2.1.125 Lehman Loan.** Each loan made pursuant to and/or evidenced by the
28 following agreements: (a) SunCal Communities I Loan Agreement; (b) Bickford Second Lien Loan

1 Agreement; (c) Ritter Ranch Loan Agreement; (d) SCC Palmdale Loan Agreement; (e) Interim
2 Loan Agreement; (f) SunCal Oak Knoll/SunCal Torrance Loan Agreement; (g) SunCal PSV Loan
3 Agreement; (h) Delta Coves Loan Agreement; (i) SunCal Marblehead / SunCal Heartland Loan
4 Agreement; (j) SunCal Oak Valley Loan Agreement; and (k) SunCal Northlake Loan Agreement.

5 **2.1.126 Lehman Nominee(s).** The entity or each entity designated by the
6 Lehman Lenders, or any of them, to take title to a Remaining Real Estate Project as to which a
7 Lehman Creditor is the Successful Bidder.

8 **2.1.127 Lehman Plan.** This *First Amended Joint Chapter 11 Plan Proposed By*
9 *Lehman Lenders*, together with the Exhibits hereto, as the same may be amended, modified or
10 restated from time to time.

11 **2.1.128 Lehman Plan Sale Procedures.** The marketing, bidding and sale
12 procedures for a sale of some or all of the Projects after confirmation of the Lehman Plan, all as
13 more fully set forth in Section 7.9 of the Lehman Plan.

14 **2.1.129 Lehman Post-Confirmation Expenses.** Post-Confirmation Expenses
15 incurred with respect to a Litigation Claim against a Lehman Related Party, other than ES
16 Litigation Expenses to the extent susceptible of satisfaction from the proceeds of the ES Litigation
17 Loan.

18 **2.1.130 Lehman Post-Confirmation Funding.** All funding made available to the
19 Liquidating Trustee in connection with, or after, the Effective Date from either (or both) loans
20 made by or on behalf of a Lehman Related Party (of up to a maximum of \$5 million) in the form of
21 new Cash transfers or by a Lehman Lender permitting the use of Cash Collateral of a Lehman
22 Creditor, plus, as to any loans, all costs, fees and expenses incurred in connection with making or
23 collecting such loan(s), plus ten percent (10%) annual, compounded interest on the outstanding
24 balance of such loan(s).

25 **2.1.131 Lehman Proponents.** The Lehman Lenders, in their capacity as
26 proponents of the Lehman Plan.

27 **2.1.132 Lehman Related Party.** A Lehman Lender, Lehman Successor or
28 Lehman Nominee, or an Affiliate of any of them.

1 **2.1.133 Lehman Releasees.** The Lehman Lenders, LV Pacific Point LLC,
2 Lehman Re Ltd., all other defendants in the ES Action, their respective Affiliates and each of their
3 respective officers, directors, employees, agents, successors and assigns, including, without
4 limitation, the Lehman Successors.

5 **2.1.134 Lehman Secured Claim.** A Secured Claim held by a Lehman Creditor.

6 **2.1.135 Lehman Successor.** Any entity, other than a Lehman Lender, that either
7 asserts to be or is determined by the Bankruptcy Court to be the owner of a Lehman Loan or any
8 portion thereof, such as Fenway Capital.

9 **2.1.136 Liquidating Trustee.** An individual nominated by a Committee(s),
10 identified no later than ten (10) Business Days prior to the commencement of the hearing on
11 confirmation of the Lehman Plan and approved by the Bankruptcy Court as qualified to serve in
12 such capacity under the Lehman Plan; provided that if no other such person is so nominated,
13 identified and approved, the Trustee shall serve as the Liquidating Trustee.

14 **2.1.137 Litigation Claim(s).** Any and all interests of the Liquidating Trustee,
15 Plan Debtors or their Estates in any and all claims, Liens, rights, causes of action, and objections or
16 defenses to Claims, Liens, rights, or causes of action to the extent not waived, released or
17 compromised under the Lehman Plan that have been or may be commenced by the Debtor(s), the
18 Liquidating Trustee, the Trustee, or the Committee(s), as the case may be, including, but not
19 limited to (i) Avoidance Actions, including any Cross-Collateralization Action or other Avoidance
20 Action against a Lehman Related Party; (ii) Claims, rights or causes of action for turnover of
21 property to the Plan Debtors' Estates and/or Liquidating Trustee; (iii) Claims, rights or causes of
22 action for the recovery of property by, or payment of money to, the Plan Debtors' Estates or the
23 Liquidating Trustee, including Equitable Subordination Claims in the ES Action and Cross-
24 Collateralization Claims in a Cross-Collateralization Action; (iv) the right of the Liquidating
25 Trustee to compensation in the form of damages, recoupment, or setoff; and (v) objections to
26 Claims.

27 **2.1.138 Litigation Recoveries.** Any Cash or other property received by the
28 Trustee, the Plan Debtors, the Liquidating Trustee, or the Committees, as the case may be, from all

1 or any portion of a Litigation Claim(s), including, but not limited to, awards of damages, attorneys'
2 fees and expenses, interest and punitive damages, whether recovered by way of settlement,
3 execution on judgment or otherwise.

4 **2.1.139 Marblehead Project.** The Project owned by SunCal Marblehead, located
5 in the City of San Clemente, California, as more particularly described in **Exhibit "B"** to the
6 Lehman Plan.

7 **2.1.140 Maximum DOT Security Amount.** The aggregate amount secured by
8 the PRA Recovery Deeds of Trust at any time which shall be equal to the Maximum PRA Recovery
9 Amount less the aggregate amount in the Plan Reserve (including any interest accrued on funds
10 therein).

11 **2.1.141 Maximum PRA Recovery Amount.** An amount that serves as the
12 maximum aggregate amount secured by the PRA Recovery Security Pool. This amount is to equal
13 the sum of: (a) to secure a potential Cross-Collateralization Final Judgment, \$1.74 million; and (b)
14 to secure a potential ES Final Judgment, (i) \$200 million less (ii) the amount from clause (a) hereof
15 (if applicable), with the difference of (i) less (ii) to be multiplied by (iii) the Non-Settling ES
16 Claimant Percentage. Notwithstanding the foregoing:

17 (1) The amount in clause (a) of this definition shall be zero if (x) none of the Acton
18 Project, Joshua Ridge Project or Tesoro Project are conveyed to a Lehman Nominee under the Plan
19 pursuant to a Contingent Bid or (y) after the last date for Filing a Cross-Collateralization Action, no
20 such action is pending seeking to set aside a Lehman Secured Claim against Acton Estates, SCC
21 Communities or Tesoro and either no Cross-Collateralization Judgment has issued so setting aside
22 such a Secured Claim or such judgment has been satisfied, annulled, vacated or reversed; and

23 (2) On motion of a Lehman Related Party, the amounts set forth in clauses (a) and/or
24 (b)(i) hereof may be reduced upon a Final Order of the Bankruptcy Court, as described in Section
25 7.9.3(e) of the Lehman Plan.

26 **2.1.142 Mechanic's Lien Claim.** Mechanic's lien claims against a Plan Debtor's
27 Project arising pursuant to California Civil Code §3110, et seq. that were either allegedly perfected
28 prepetition or otherwise and allegedly satisfy the requirements of Bankruptcy Code Section 546(b).

1 **2.1.143 Minimum Distribution Release and Assignment.** In exchange for the
2 commitment of the Lehman Lenders under the Lehman Plan to make available funding for the
3 Guaranteed Minimum Distribution from new Cash transfers to the Liquidating Trustee on the
4 Effective Date, each Non-Settling ES Claimant holding an Allowed ES Claim and each Holder of
5 an Allowed General Unsecured Claim desiring to share in the Guaranteed Minimum Distribution
6 (the “releasor”) shall execute a release and assignment (a) releasing the Minimum Distribution
7 Released Claims from and against all Lehman Releasees and all and any owners of the applicable
8 Project(s) (that were at any time owned by the Plan Debtor against which the applicable Allowed
9 ES Claim or Allowed General Unsecured Claim is asserted), including the Lehman Nominees,
10 which owners are or were successors or assigns of the applicable Debtor, and (b) to the extent such
11 Minimum Distribution Released Claims cannot be released by the releasor, assigning to the
12 applicable Lehman Lender (or if multiple applicable Lehman Lenders, the Lehman Lender holding
13 the most senior Lien against the applicable Estate’s Project or Assets), all rights, benefits and
14 interests of the releasor, including rights to Net Cash Litigation Recoveries, with respect to such
15 Minimum Distribution Released Claims, all as more fully set forth in Section 7.3 of the Lehman
16 Plan.

17 **2.1.144 Minimum Distribution Released Claims.** Any and all causes of action,
18 actions, rights of action, suits, judgments, liens, indebtedness, damages, losses, claims, liabilities,
19 obligations, attorneys’ fees, costs, expenses and demands of every kind and character, whether
20 known or unknown, suspected or unsuspected, disclosed or undisclosed, including without
21 limitation any Litigation Claims, whether for damages, subordination or other remedies, and
22 including any and any objections or defenses to Lehman Related Party’s Claims, Liens, rights, or
23 causes of action, to the extent related to the Claims of the releasing Person or these Cases, Debtors
24 or their Projects or to the extent that the Net Cash Litigation Recoveries therefrom would be
25 payable in respect of the Claims of such releasing Person.

26 **2.1.145 Negative Covenant.** The provision in each PRA Recovery Deed of Trust
27 that the applicable Lehman Nominee will not cause, through an affirmative action on its part (as
28 opposed to any inaction or failure to act), any hazardous substances to be deposited onto the

1 applicable PRA Security Project encumbered by such PRA Recovery Deed of Trust at any time
2 following the acquisition of title to such PRA Security Project by such Lehman Nominee and prior
3 to the sale of such PRA Security Project; provided, however, that the Lehman Nominee shall have
4 no obligation to (1) clean up, remove or remediate any existing hazardous substances (including,
5 without limitation, any asbestos, mold or petroleum products) which may be present on or within
6 such PRA Security Project or which may be emanating therefrom as of the date of the conveyance
7 of such property to such Lehman Nominee or (2) take any action or incur any expense to prevent
8 hazardous substances from existing or being present on or within such PRA Security Project or
9 from otherwise emanating therefrom except as specifically provided above.

10 **2.1.146 Net Cash Litigation Recoveries.** Any Litigation Recoveries consisting
11 of Cash and any Cash proceeds of Litigation Recoveries less associated Post-Confirmation
12 Expenses incurred in connection therewith.

13 **2.1.147 Net Cash Proceeds.** Net Proceeds consisting of Cash.

14 **2.1.148 Net Proceeds.** Gross proceeds of sale, liquidation or refinancing, less
15 costs, expenses, fees, commissions, taxes (including federal, state and local income tax calculated
16 at an assumed rate of forty-five percent (45%)) and other charges incurred directly in the sale,
17 liquidation or refinancing of the underlying asset, including payment of senior Liens or
18 encumbrances.

19 **2.1.149 Non-Settled ES Claims.** The ES Claims of Non-Settling ES Claimants.

20 **2.1.150 Non-Settling ES Claimant(s):** With respect to each Estate of an ES Plan
21 Debtor, ES Claimants that do not vote to accept the ES Settlement Offer, unless there is Estate
22 Acceptance of the ES Settlement for such Estate, in which case there shall be no Non-Settling
23 ES Claimants of such Estate.

24 **2.1.151 Non-Settling ES Claimant Percentage.** The percentage of Allowed ES
25 Claims that are held by Non-Settling ES Claimants.

26 **2.1.152 Northlake Holdings.** Northlake Holdings LLC, a Delaware limited
27 liability company.
28

1 **2.1.153 Northlake Project.** The Project owned by SunCal Northlake, located in
2 the City of Castaic California, as more particularly described in **Exhibit “B”** to the Lehman Plan.

3 **2.1.154 Oak Knoll Project.** The Project owned by SunCal Oak Knoll, located in
4 the City of Oakland, California, as more particularly described in **Exhibit “B”** to the Lehman Plan.

5 **2.1.155 Oak Valley Project.** The Project owned by SunCal Oak Valley, located
6 in Riverside County, California, as more particularly described in **Exhibit “B”** to the Lehman Plan.

7 **2.1.156 Other Secured Claim.** A Secured Claim that is not a Secured Real
8 Property Tax Claim, Lehman Secured Claim or Danske Secured Claim.

9 **2.1.157 OVC Holdings.** OVC Holdings LLC, a Delaware limited liability
10 company.

11 **2.1.158 Pacific Point First Loan Agreement.** That certain Term Loan and
12 Revolving Line of Credit Loan Agreement dated as of February 16, 2006 (as amended and/or
13 supplemented) and the various related loan documents as well as any other documents evidencing
14 perfection of the security interests therefor, including any amendments and/or supplements thereto,
15 by and among SJD Partners, as borrower, and Lehman ALI, as administrative agent and lender,
16 pursuant to which the lenders thereunder made loans to the borrower for which the outstanding
17 balance was not less than \$120,110,237 as of the applicable Petition Date and which loans are
18 secured by, among other things, a first priority deed of trust on the Pacific Point Project.

19 **2.1.159 Pacific Point Foreclosure.** The non-judicial foreclosure of the Pacific
20 Point Project formerly owned by SJD Partners with respect to a second Lien loan of approximately
21 \$28 million, through which such Project was sold on August 28, 2008 to LV Pacific Point LLC.

22 **2.1.160 Pacific Point Project.** The Project formerly owned by SJD Partners,
23 which was non-judicially foreclosed upon pursuant to a sale on August 28, 2008 by LV Pacific
24 Point LLC, a Delaware limited liability company.

25 **2.1.161 Palmdale Hills.** Palmdale Hills Property, LLC, a Delaware limited
26 liability company, a Voluntary Debtor in these Cases, and the owner of the Ritter Ranch Project,
27 the Ritter Cash and the Palmdale Hills CFD Bonds.
28

2.1.162 Palmdale Hills CFD Bonds. Certain community facilities district bonds issued by the City of Palmdale that are owned by Palmdale Hills.

2.1.163 Palm Springs Village Project. The Project owned by SunCal PSV, located in the City of Palm Springs, California, as more particularly described in **Exhibit "B"** to the Lehman Plan.

2.1.164 Permitted Liens. (a) Statutory liens for Secured Real Property Tax Claims; (b) easements, covenants, conditions, restrictions and other matters of record affecting real property, leasehold estates or personalty or any interest therein (excluding any rights of appeal from the Final Order with respect to the sale or conveyance of the Project) that (i) appear on the lender title insurance policies concerning such Project issued to the relevant Lehman Lender or (ii) do not in any material respect detract from the value of the relevant Project and do not individually or in the aggregate in any material respect interfere with the use, ownership or operation of the property, excluding Liens that will be removed and stricken as against the relevant Project pursuant to the Final Order with respect to the sale or conveyance of the Project, (c) the effect of any building and zoning regulations, now existing or hereafter in effect with respect to the relevant Project that are not violated by the current use of the Project, (d) oil, mineral and/or water rights, and claims of title thereto, shown by the public records, (e) discrepancies, conflicts in boundary lines, shortages in area or encroachments which an inspection or survey of the subject Project would disclose and (f) other Liens to which the transferor of the property, in connection with such transfer, agrees to take subject.

2.1.165 Person. An individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority, governmental unit, committee or other entity of whatever nature.

2.1.166 Petition Dates. The following are dates that each of the Voluntary Debtors Filed their voluntary chapter 11 petitions or Creditors Filed involuntary chapter 11 petitions against the Trustee Debtors:

Palmdale Hills	November 6, 2008
SunCal Beaumont	November 6, 2008

1	SCC Palmdale	November 7, 2008
2	SunCal Johansson	November 7, 2008
3	SunCal Summit Valley	November 7, 2008
4	SunCal Emerald	November 7, 2008
5	SunCal Bickford	November 7, 2008
6	Acton Estates	November 7, 2008
7	Seven Brothers	November 7, 2008
8	SJD Partners	November 7, 2008
9	SJD Development	November 7, 2008
10	Kirby Estates	November 7, 2008
11	SunCal I	November 7, 2008
12	SunCal III	November 7, 2008
13	SCC Communities	November 19, 2008
14	Del Rio	November 19, 2008
15	Tesoro	November 19, 2008
16	Delta Coves	November 14, 2008
17	SunCal Heartland	November 12, 2008
18	SunCal Marblehead	November 12, 2008
19	SunCal Northlake	November 12, 2008
20	SunCal Oak Valley	November 12, 2008
21	SunCal Century City	November 14, 2008
22	SunCal PSV	November 14, 2008
23	SunCal Torrance	November 14, 2008
24	SunCal Oak Knoll	November 19, 2008

2.1.167 Plan. The Lehman Plan.

2.1.168 Plan Debtors. The 24 Debtors for which the Lehman Plan is being proposed, consisting of all of the Debtors other than SJD Development and SunCal III (the Estates of which are believed to hold no Assets of any significant current or potential value).

2.1.169 Plan Release. In exchange for the extension of credit represented by the additional Lehman Post-Confirmation Funding, the ES Settlement Offer and the delayed satisfaction of the Secured Claims of the Lehman Related Parties, as of the Effective Date, the Estate of each Plan Debtor shall be deemed to release all claims, including any Litigation Claims except certain Avoidance Actions and certain claims therein and except that, with respect to all Equitable Subordination Claims in the ES Action and certain Cross-Collateralization Claims asserted in a Cross-Collateralization Action, each owner of each PRA Security Project shall have a non-recourse obligation to reconvey each PRA Security Project to the Liquidating Trustee if required by an ES Final Judgment or Cross-Collateralization Final Judgment, which obligation shall be secured by the PRA Recovery Security Pool and, at a Lehman Nominee's election, instead

1 may be satisfied by a Cash payment to the applicable Estate(s) in the amount of any Project Related
2 Action Recovery, all as more fully set forth in Section 7.12 of the Lehman Plan.

3 **2.1.170 Plan Reserve.** A reserve fund established by the Liquidating Trustee to
4 hold the Ritter Cash, all Cash Collateral of a Lehman Creditor held by a Plan Debtor, and any other
5 Cash required or permitted to be deposited therein on the Effective Date pursuant to the terms of
6 the Lehman Plan and which funds shall be subject to withdrawal pursuant to the terms of the
7 Lehman Plan, including (i) all Net Cash Proceeds of sales or refinancing of certain Remaining Real
8 Estate Projects as set forth in the Lehman Plan and (ii) any other Cash which the Lehman Related
9 Parties may desire to deposit therein from time to time, all upon the terms and conditions set forth
10 in Article VII of the Lehman Plan. Such funds shall be held in account(s) to be established at an
11 FDIC insured bank to be selected by the Liquidating Trustee with the consent of the Lehman
12 Lenders, which consent shall not be unreasonably withheld. There shall be separate accounts or
13 accounting for the Ritter Cash, Net Cash Proceeds derived from each Remaining Real Estate
14 Project and other Cash Collateral of a Lehman Creditor as to a Plan Debtor, with the Ritter Cash
15 being attributed to the Ritter Ranch Project, Net Cash Proceeds being attributed to the Remaining
16 Real Estate Project, the sale or refinancing of which resulted in such Net Cash Proceeds and other
17 Cash Collateral of a Lehman Creditor being attributed to the applicable Plan Debtor. The
18 applicable Lehman Creditor shall report the Cash Collateral held in the Plan Reserve as being
19 owned by it for all applicable federal, state and local income tax purposes. To enable the applicable
20 Lehman Creditor to pay its applicable federal, state and local income tax with respect to amounts in
21 the Plan Reserve, the Liquidating Trustee shall distribute, or cause to be distributed, to the
22 applicable Lehman Creditor an amount equal to forty five percent (45%) of all income and gain
23 earned with respect to amounts in the Plan Reserve (including with respect to the amount held as
24 the reserve for the Guaranteed Minimum Distribution) no less than annually and prior to any such
25 amounts being otherwise distributed pursuant to the Plan.

26 **2.1.171 Post-Confirmation Account(s).** An account with a bank, financial
27 institution or similar depository in which the Liquidating Trustee holds Cash or other liquid assets
28 or securities for any Plan Debtor.

1 **2.1.172 Post-Confirmation Expenses.** The fees and expenses incurred by the
2 Liquidating Trustee or the Committees following the Effective Date (including the fees and costs of
3 Professionals and the Lehman Post-Confirmation Funding) for the purpose of (i) prosecuting and/or
4 liquidating the Litigation Claims; (ii) selling or otherwise liquidating the Liquidating Trustee's
5 Assets; (iii) effectuating Distributions under the Lehman Plan; and (iv) otherwise consummating
6 the Lehman Plan and closing the Debtor(s)' Cases.

7 **2.1.173 PRA Recovery Deed(s) of Trust.** A deed or deeds of trust as to any
8 particular PRA Security Project to be granted by the Lehman Nominee in favor of the Liquidating
9 Trustee upon conveyance of a Remaining Real Estate Project to one or more Lehman Nominees in
10 connection with the Lehman Plan Sale Procedures, subject to any Permitted Liens, which deeds of
11 trust (a) secure the obligations set forth in the Reconveyance Agreements, and (b) are to be released
12 or subordinated as set forth in Section 7.9.3 of the Lehman Plan. The PRA Security Deeds of Trust
13 secure, in the aggregate, an amount not in excess of the Maximum DOT Security Amount.

14 **2.1.174 PRA Recovery Security Pool.** At any time, collectively, the PRA
15 Recovery Deeds of Trust then in effect and the Plan Reserve.

16 **2.1.175 PRA Security Project.** Each Project conveyed to a Lehman Nominee
17 pursuant to the Lehman Plan Sale Procedures.

18 **2.1.176 Priority Claim.** Any Claim, other than an Administrative Claim or a
19 Priority Tax Claim, to the extent entitled to priority under Section 507(a) of the Bankruptcy Code.

20 **2.1.177 Priority Tax Claim.** Any Claim for any Tax to the extent that it is
21 entitled to priority in payment under Section 507(a)(8) of the Bankruptcy Code or would be so
22 entitled were it not secured.

23 **2.1.178 Professional.** A Person (a) employed by the Plan Debtors, the
24 Committees pursuant to a Final Order in accordance with Sections 327 and 1103 of the Bankruptcy
25 Code and to be compensated for services rendered prior to the Effective Date, pursuant to
26 Sections 327, 328, 3291, 330 and 331 of the Bankruptcy Code, or (b) for which compensation and
27 reimbursement has been allowed by the Bankruptcy Court pursuant to Section 503(b) of the
28 Bankruptcy Code.

1 **2.1.179 Professional Fees.** All Allowed Claims for compensation and for
2 reimbursement of expenses under Sections 328, 330 and/or 503(b) of the Bankruptcy Code

3 **2.1.180 Projects.** The Plan Debtors' real estate development projects as more
4 particularly described on an Exhibit or supplement to the Lehman Plan to be Filed on or before the
5 Effective Date, together with all rights, remedies, privileges and easements appurtenant thereto and
6 all other real and personal, tangible and intangible, property related thereto.

7 **2.1.181 Project Related Action.** The ES Action or Cross-Collateralization
8 Action.

9 **2.1.182 Project Related Action Recovery.** An ES Judgment or Cross-
10 Collateralization Judgment.

11 **2.1.183 Pro Rata.** (a) With respect to any distribution in respect of any Allowed
12 Claim, proportionately, so that the ratio of (i)(1) the amount of property distributed on account of
13 such Allowed Claim to (2) the amount of such Allowed Claim, is the same as the ratio of (ii)(1) the
14 amount of property distributed on account of all Allowed Claims of the Class or Classes of the
15 applicable Estate sharing in such distribution to (2) the amount of all Allowed Claims in such Class
16 or Classes of the applicable Estate; and (b) in calculating allocations of responsibility for
17 obligations among Debtors, Pro Rata shall be determined in reference to the Liquidating Trustee's
18 reasonable estimate of the gross value of each applicable Estate's Assets as of the Confirmation
19 Date.

20 **2.1.184 Proof of Claim.** A proof of claim as referenced in Bankruptcy Code
21 Section 501(a).

22 **2.1.185 Proof of Interest.** A proof of interest as referenced in Bankruptcy Code
23 Section 501(a).

24 **2.1.186 Reconveyance Agreement.** A written agreement to be executed by, and
25 evidencing, among other things, the non-recourse obligations of, a Lehman Nominee to which a
26 PRA Recovery Security Project is conveyed pursuant to the Lehman Plan Sale Procedures, as more
27 fully set forth in Section 7.9.3(c) of the Lehman Plan.
28

1 **2.1.187 Remaining Other Assets.** All of the then remaining Assets of the Plan
2 Debtors' Estates excluding the Projects, as of the point in time referenced in any particular
3 utilization of this term in the Lehman Plan.

4 **2.1.188 Remaining Real Estate Projects.** All of the then remaining Projects as
5 of the point in time referenced in any particular utilization of this term in the Lehman Plan.

6 **2.1.189 Residual Cash.** As to any particular Plan Debtor's Estate, Net Cash
7 Proceeds derived from the liquidation by the Liquidating Trustee of any Remaining Real Estate
8 Projects owned by such Estate and any Remaining Other Assets of such Estate, including any
9 applicable Net Cash Litigation Recoveries in which such Estate has an interest, to the extent not
10 subject to a Secured Claim (or to a Claim to which such Secured Claim is subordinated) and
11 remaining after payment or reserve for the Lehman Post-Confirmation Funding and, as provided in
12 the Lehman Plan, certain Post-Confirmation Expenses, post-Confirmation Date intercompany
13 payables and due and payable Allowed Administrative Claims, Allowed Priority Claims and
14 Allowed Priority Tax Claims, all as more fully set forth in Section 7.11 of the Lehman Plan.
15 Residual Cash does not include the Guaranteed Minimum Distribution.

16 **2.1.190 Ritter Cash.** As of the Effective Date, the Cash owned by Palmdale Hills
17 or in which Palmdale Hills has any residual interest and held in escrow, reserve or other accounts
18 for the benefit of Lehman Commercial and securing the loans made pursuant to the Ritter Ranch
19 Loan Agreement.

20 **2.1.191 Ritter Ranch Loan Agreement.** That certain Credit Agreement, dated as
21 of February 8, 2007, by and among Palmdale Hills, as borrower, and Lehman Commercial, as
22 administrative agent and lender, pursuant to which the lenders thereunder made loans to the
23 borrower in the maximum aggregate principal amount of approximately \$264,000,000. The loans
24 made pursuant to and/or evidenced by the Ritter Ranch Loan Agreement are secured by, among
25 other things, a first priority deed of trust on the Ritter Ranch Project. The outstanding balance of
26 the loans under the Ritter Ranch Loan Agreement was not less than \$287,252,096.31 as of the
27 applicable Petition Date.
28

1 **2.1.192 Ritter Ranch Project.** The Project owned by Palmdale Hills, located in
2 the City of Palmdale, California, as more particularly described in **Exhibit “B”** to the Lehman
3 Plan.

4 **2.1.193 Sales Procedures Motion.** The motion of the Trustee Debtors and certain
5 Voluntary Debtors, filed February 18, 2009, as modified, seeking approval of overbid procedures
6 for a sale of certain Projects and denial of any right of the Lehman Creditors to overbid in
7 connection with such sale.

8 **2.1.194 SCC Communities.** SCC Communities, LLC, a limited liability
9 company, a Voluntary Debtor in these Cases, and the owner of the Joshua Ridge Project.

10 **2.1.195 SCC LLC.** SCC Acquisitions LLC, a Delaware limited liability
11 company, a subsidiary of Acquisitions and an indirect and/or a direct parent of each of the Debtors,
12 but not itself a Debtor in any of the Cases.

13 **2.1.196 SCC Palmdale.** SCC Palmdale, LLC, a Delaware limited liability
14 company, a Voluntary Debtor in these Cases, and the Holder of the Allowed Interest in Palmdale
15 Hills.

16 **2.1.197 SCC Palmdale Loan Agreement.** That certain Mezzanine Credit
17 Agreement, between SCC Palmdale, as borrower, and Lehman Commercial, as lender, pursuant to
18 which the lender thereunder made a loan to the borrower in the maximum aggregate principal
19 amount of approximately \$95,000,000. The loan made pursuant to and/or evidenced by the SCC
20 Palmdale Loan Agreement is secured by a pledge of SCC Palmdale's Allowed Interest in Palmdale
21 Hills. The outstanding balance of the loan under the SCC Palmdale Loan was not less than
22 \$119,664,305.25 as of the applicable Petition Date.

23 **2.1.198 Schedules.** The schedules of assets and liabilities and list of equity
24 security holders Filed by the Debtors, as required by Section 521(1) of the Bankruptcy Code,
25 Bankruptcy Rules 1007(a)(3) and (b)(1), and Official Bankruptcy Form No. 6, as amended from
26 time to time.

1 **2.1.199 Secured Claim.** Any Claim, including interest, fees, costs, and charges to
2 the extent allowable pursuant to Bankruptcy Code Section 506, to the extent that it is secured by a
3 valid and unavoidable Lien on the Plan Debtor(s)' Assets.

4 **2.1.200 Secured Real Property Tax Claims.** Secured Claims, other than Priority
5 Tax Claims, held by various government entities for real property tax assessments secured by Liens
6 on the underlying real properties owned by the Plan Debtors but that are non-recourse to the Plan
7 Debtors.

8 **2.1.201 Settling ES Claimant(s):** (1) a Settling ES Claimant by Vote or (2) an
9 ES Claimant in an Estate which accepts the ES Settlement Offer.

10 **2.1.202 Settling ES Claimant(s) by Vote:** Each ES Claimant who votes for
11 acceptance of the ES Settlement Offer on its Ballot and returns with the Ballot an ES Claimant
12 Release and Assignment duly executed by such ES Claimant, included with the Ballot.

13 **2.1.203 Seven Brothers.** Seven Brothers, LLC, a Delaware limited liability
14 company, a Voluntary Debtor in these Cases, and the owner of that portion of the Summit Valley
15 Project not owned by Kirby Estates or SunCal Summit Valley.

16 **2.1.204 SJD Development.** SJD Development Corp., a California corporation, a
17 Voluntary Debtor in these Cases, and the Holder of an Allowed Interest in SJD Partners.

18 **2.1.205 SJD Partners.** SJD Partners, Ltd., a California limited partnership, a
19 Voluntary Debtor in these Cases, and the prior owner of the Pacific Point Project.

20 **2.1.206 Successful Bidder.** With respect to the each Remaining Real Estate
21 Project, the successful bidder at the auction for the sale of such Remaining Real Estate Project
22 conducted by the Liquidating Trustee pursuant to the Lehman Plan Sale Procedures.

23 **2.1.207 Summit Valley Project.** The Project owned in part by SunCal Summit
24 Valley, Seven Brothers and Kirby Estates, located in the City of Hesperia, California, as more
25 particularly described in **Exhibit "B"** to the Lehman Plan.

26 **2.1.208 SunCal.** The SunCal Companies, a trade name for Acquisitions and its
27 Affiliates.
28

1 **2.1.209 SunCal I.** SunCal Communities I, LLC, a Delaware limited liability
2 company, a Voluntary Debtor in these Cases, and the owner of the equity membership interests in
3 Acton Estates, SunCal Bickford, SunCal Beaumont, SunCal Summit Valley, SunCal Johannson and
4 SunCal Emerald.

5 **2.1.210 SunCal III.** SunCal Communities III, LLC, a Delaware limited liability
6 company, a Voluntary Debtor in these Cases.

7 **2.1.211 SunCal Beaumont.** SunCal Beaumont Heights, LLC, a Delaware limited
8 liability company, a Voluntary Debtor in these Cases, and the owner of the Beaumont Heights
9 Project.

10 **2.1.212 SunCal Bickford.** SunCal Bickford Ranch, LLC, a Delaware limited
11 liability company, a Voluntary Debtor in these Cases, and the owner of the Bickford Ranch Project.

12 **2.1.213 SunCal Century City.** SunCal Century City, LLC, a Delaware limited
13 liability company, a Trustee Debtor in these Cases, and the owner of the 10000 Santa Monica
14 Project.

15 **2.1.214 SunCal Century City Loan Agreement.** That certain Loan Agreement,
16 dated as of August 11, 2006, by and between SunCal Century City, as borrower and Lehman ALI,
17 as agent and sole lender pursuant to which Lehman ALI made a loan in the aggregate maximum
18 principal amount of approximately \$120,000,000. The SunCal Century City Loan Agreement is
19 secured by a first-priority deed of trust on the 10000 Santa Monica Project. The SunCal Century
20 City Loan Agreement has a balance due of \$120,000,000.00 as of April 1, 2009.

21 **2.1.215 SunCal Communities I Loan Agreement.** That certain Credit
22 Agreement, dated as of November 17, 2005, by and among (i) SunCal I and SunCal III, as
23 borrowers, Lehman Brothers, Inc., as sole advisor, sole lead arranger and sole bookrunner, and
24 Lehman Commercial, as syndication and administrative agent and sole lender, pursuant to which
25 the lenders thereunder made a loan to the borrowers in the maximum aggregate principal amount of
26 approximately \$395,313,713.37. The loan made pursuant to and/or evidenced by the SunCal
27 Communities I Loan Agreement is secured directly or indirectly by (a) first priority deeds of trust
28 on the SunCal Bickford, the Acton Estates, and the SunCal Emerald Projects, (b) pledges of SunCal

1 It's Allowed Interest in Acton Estates, SunCal Summit Valley, SunCal Beaumont; SunCal
2 Johansson, SunCal Emerald, and SunCal Bickford; and (c) pledges of SunCal Summit Valley's
3 Allowed Interest in Seven Brothers and Kirby Estates. The outstanding balance of the loan under
4 the SunCal Communities I Loan Agreement was \$343,221,391.06 as of the applicable Petition
5 Date.

6 **2.1.216 SunCal Emerald.** SunCal Emerald Meadows, LLC, a Delaware limited
7 liability company, a Voluntary Debtor in these Cases, and the owner of the Emerald Meadows
8 Project.

9 **2.1.217 SunCal Heartland.** SunCal Heartland, LLC, a Delaware limited liability
10 company, a Trustee Debtor in these Cases, and the owner of the Heartland Project

11 **2.1.218 SunCal Johansson.** SunCal Johansson Ranch, LLC, a Delaware limited
12 liability company, a Voluntary Debtor in these Cases, and the owner of the Johansson Ranch
13 Project.

14 **2.1.219 SunCal Marblehead.** SunCal Marblehead, LLC, a Delaware limited
15 liability company, a Trustee Debtor in these Cases, and the owner of the Marblehead Project.

16 **2.1.220 SunCal Marblehead / SunCal Heartland Loan Agreement.** That
17 certain Second Amended and Restated Term Loan and Revolving Line of Credit Loan Agreement,
18 dated as of October 3, 2007, by and among SunCal Marblehead Heartland Master LLC, SunCal
19 Marblehead, and SunCal Heartland, as borrowers, and Lehman ALI, as agent and sole lender,
20 pursuant to which the lenders thereunder made loans to the borrowers in the maximum aggregate
21 principal amount of approximately \$316,061,300. The loans made pursuant to and/or evidenced by
22 the SunCal Marblehead / SunCal Heartland Loan Agreement are secured by first priority deeds of
23 trust on the Marblehead and the Heartland Projects. The outstanding aggregate balance of the loans
24 under the SunCal Marblehead / SunCal Heartland Loan Agreement was not less than
25 \$354,325,126.15 as of the applicable Petition Date.

26 **2.1.221 SunCal Northlake.** LB/L-SunCal Northlake, LLC, a Delaware limited
27 liability company, a Trustee Debtor in these Cases, and the owner of the Northlake Project.
28

1 **2.1.222 SunCal Northlake Loan Agreement.** That certain Term Loan and
2 Revolving Line of Credit Loan Agreement, dated as of September 9, 2005, between SunCal
3 Northlake, as borrower, and Northlake Holdings, as successor agent and sole lender, pursuant to
4 which the lenders thereunder made loans in the maximum aggregate principal amount of
5 approximately \$100,000,000. The loans made pursuant to and/or evidenced by the SunCal
6 Northlake Loan Agreement are secured by a first priority deed of trust on the Northlake Project.
7 The outstanding aggregate balance of the loans under the SunCal Northlake Loan Agreement was
8 not less than \$123,654,776.88 as of the applicable Petition Date.

9 **2.1.223 SunCal Oak Knoll.** SunCal Oak Knoll, LLC, a Delaware limited liability
10 company, a Trustee Debtor in these Cases, and the owner of the Oak Knoll Project.

11 **2.1.224 SunCal Oak Knoll/SunCal Torrance Loan Agreement.** That certain
12 Loan Agreement, dated as of November 30, 2006, between SunCal Torrance and SunCal Oak
13 Knoll, as borrowers, and Lehman ALI, as agent and sole lender, pursuant to which the lenders
14 thereunder made a loan to the borrowers in the maximum aggregate principal amount of
15 approximately \$167,700,000. The loans made pursuant to and/or evidenced by the SunCal Oak
16 Knoll/SunCal Torrance Loan Agreement are secured by first priority deeds of trust on the Oak
17 Knoll and the Del Amo Projects. The outstanding aggregate balance of the loans under the SunCal
18 Oak Knoll/SunCal Torrance Loan Agreement was not less than \$157,870,186.15 as of the
19 applicable Petition Date.

20 **2.1.225 SunCal Oak Valley.** LB/L-SunCal Oak Valley, LLC, a Delaware limited
21 liability company, a Trustee Debtor in these Cases, and the owner of the Oak Valley Project.

22 **2.1.226 SunCal Oak Valley Loan Agreement.** That certain Term Loan and
23 Revolving Line of Credit Loan Agreement, dated as of May 23, 2006, by and between SunCal Oak
24 Valley, as borrower, and OVC Holdings, as successor agent and sole lender, pursuant to which the
25 lenders thereunder made loans to the borrower in the maximum aggregate principal mount of
26 approximately \$120,000,000. The loans made pursuant to and/or evidenced by the SunCal Oak
27 Valley Loan Agreement are secured by a first priority deed of trust on the Oak Valley Project. The
28

1 outstanding aggregate balance of the loans under the SunCal Oak Valley Loan Agreement was not
2 less than \$143,630,091.63 as of the applicable Petition Date.

3 **2.1.227 SunCal PSV.** SunCal PSV, LLC, a Delaware limited liability company, a
4 Trustee Debtor in these Cases, and the owner of the Palm Springs Village Project.

5 **2.1.228 SunCal PSV Loan Agreement.** That certain Term Loan and Revolving
6 Line of Credit Loan Agreement, dated as of February 12, 2007, between SunCal PSV, as borrower,
7 and Lehman ALI, as agent and sole lender, pursuant to which the lenders thereunder made loans to
8 the borrower in the maximum aggregate principal amount of approximately \$90,000,000. The
9 loans made pursuant to and/or evidenced by the SunCal PSV Loan Agreement are secured by a first
10 priority deed of trust on the Palm Springs Village Project. The outstanding aggregate balance of
11 the loans under the SunCal PSV Loan Agreement was not less than \$88,257,340.20 as of the
12 applicable Petition Date.

13 **2.1.229 SunCal Summit Valley.** SunCal Summit Valley, LLC, a Delaware
14 limited liability company, a Voluntary Debtor in these Cases, the owner of that portion of the
15 Summit Valley Project not owned by Kirby Estates or Seven Brothers, and the Holder of Allowed
16 Interests in Kirby Estates and Seven Brothers.

17 **2.1.230 SunCal Torrance.** SunCal Torrance, LLC, a Delaware limited liability
18 company, a Trustee Debtor in these Cases, and the owner of the Del Amo Project.

19 **2.1.231 Tax.** Any tax, charge, fee, levy, impost or other assessment by any
20 federal, state, local or foreign taxing authority, including, without limitation, income, excise,
21 property, sales, transfer, employment, payroll, franchise, profits, license, use, ad valorem,
22 estimated, severance, stamp, occupation and withholding tax. "Tax" shall include any interest or
23 additions attributable to, or imposed on or with respect to such assessments.

24 **2.1.232 Tesoro.** Tesoro SF, LLC, a Delaware limited liability company, a
25 Voluntary Debtor in these Cases, and the owner of the Tesoro Project.

26 **2.1.233 Tesoro Project.** The Project owned by Tesoro located in the City of Santa
27 Clarita, California, as more particularly described in **Exhibit "B"** to the Lehman Plan.
28

1 **2.1.234 Trustee.** Steven M. Speier, the duly appointed trustee of the Trustee
2 Debtors or any successor trustee for the Trustee Debtors.

3 **2.1.235 Trustee Debtor(s).** The following chapter 11 debtors, individually or
4 collectively, that are represented by the Trustee: Delta Coves, SunCal Heartland, SunCal
5 Marblehead, SunCal Northlake, SunCal Oak Valley, SunCal Century City, SunCal PSV, SunCal
6 Torrance, and SunCal Oak Knoll.

7 **2.1.236 Trustee Debtors' Committee.** The Official Committee of Unsecured
8 Creditors of the Trustee Debtors appointed in the Cases of the Trustee Debtors pursuant to Section
9 1102 of the Bankruptcy Code.

10 **2.1.237 Unclaimed Property.** Cash held for Distribution if either (1) such the
11 Distribution of Cash to the Holder of any Allowed Claim is returned to the Liquidating Trustee
12 (*e.g.*, as undeliverable) and the check or other similar instrument or Distribution remains unclaimed
13 for one hundred twenty (120) days from sending or (2) the check or other similar instrument used
14 for the Distribution to the Holder of any Allowed Claim remains uncashed for one hundred twenty
15 (120) days from sending; or (3) the Liquidating Trustee does not have an address for a Holder of
16 any Allowed Claim on the date such Distribution first could have been made under the Plan and for
17 one hundred twenty (120) days thereafter.

18 **2.1.238 Voluntary Debtor(s).** The following chapter 11 debtors and debtors-in-
19 possession, individually or collectively, Palmdale Hills, SunCal I, SunCal III, SCC Palmdale,
20 Acton Estates, SunCal Beaumont, SunCal Emerald, SunCal Johansson, SunCal Bickford, SunCal
21 Summit Valley, Seven Brothers, Kirby Estates, SJD Partners, SJD Development, SCC
22 Communities, Del Rio and Tesoro.

23 **2.1.239 Voluntary Debtors' Committee.** The Official Committee of Unsecured
24 Creditors of the Voluntary Debtors appointed in the Cases of the Voluntary Debtors pursuant to
25 Section 1102 of the Bankruptcy Code.

26 **2.2 Rules of Construction.** For purposes of the Lehman Plan and the Lehman
27 Disclosure Statement, unless otherwise provided in the Lehman Plan or in the Lehman Disclosure
28 Statement, (a) whenever from the context it is appropriate, each term, whether stated in the singular

1 or the plural, will include both the singular and the plural; (b) each pronoun stated in the masculine,
2 feminine or neuter includes the masculine, feminine and neuter; (c) any reference in the Lehman
3 Plan or the Lehman Disclosure Statement to an existing document or schedule Filed or to be Filed
4 means such document or schedule, as it may have been or may be amended, modified or
5 supplemented pursuant to the Lehman Plan; (d) any reference to an entity as a Holder of a Claim or
6 Interest includes that entity's successors and assigns; (e) except as otherwise indicated in the
7 Lehman Plan all references in the Lehman Plan or the Lehman Disclosure Statement to Sections
8 and Articles are references to Sections and Articles of or to the Lehman Plan; (f) unless otherwise
9 indicated, the words "therein," "thereunder" and "thereto" refer to the Lehman Plan in its entirety
10 rather than to a particular portion of the Lehman Plan; (g) unless otherwise provided in the Lehman
11 Plan or the Lehman Disclosure Statement, any reference in the Lehman Plan or the Lehman
12 Disclosure Statement to a contract, instrument, release, indenture, agreement, or other document
13 being in a particular form or on particular terms and conditions means that such document shall be
14 substantially and materially in such form or substantially and materially on such terms and
15 conditions; (h) any reference in the Lehman Plan or the Lehman Disclosure Statement to a
16 document or schedule to the Lehman Plan, Plan Documentary Supplement, or Lehman Disclosure
17 Statement Filed or to be Filed means such document or schedule, as it may have been or may be
18 amended, modified, or supplemented; and (i) the rules of construction set forth in section 102 of the
19 Bankruptcy Code shall apply to the extent such rules are not inconsistent with the express terms of
20 the Lehman Plan or the Lehman Disclosure Statement or any other provision in this Section.

21 III.

22 TREATMENT OF UNCLASSIFIED CLAIMS

23 As required by the Bankruptcy Code, the Lehman Plan places Claims and Interests into
24 various Classes according to their right to priority. However, certain types of Claims are not
25 classified in any Classes under the Lehman Plan and the Lehman Proponents have not placed such
26 Claims in a Class. These Claims are "unclassified." As to Allowed Administrative Claims and
27 Allowed Priority Tax Claims, these Claims are not considered impaired, and they do not vote on
28 the Plan because they are automatically entitled to specific treatment provided for them in the

1 Bankruptcy Code. Other unclassified Claims support Liens that have not been avoided, but are not
2 classified to the extent the Claims were not timely Filed. The treatment of these unclassified
3 Claims is as provided below.

4 **3.1 Treatment of Allowed Administrative Claims.** Except to the extent that the
5 Holder of an Allowed Administrative Claim agrees to a different treatment, and subject to the
6 Administrative Claim Bar Date set forth in the Lehman Plan, the Liquidating Trustee shall pay each
7 Allowed Administrative Claim in full, in Cash, on the later of (i) the Effective Date, (ii) within ten
8 (10) Business Days after the date such Administrative Claim becomes an Allowed Administrative
9 Claim, or (iii) the date such Allowed Administrative Claim becomes due according to its terms.
10 Notwithstanding the foregoing, any Allowed Administrative Claim representing obligations
11 incurred prior to the Effective Date in the ordinary course of post-petition business by the Plan
12 Debtors (including without limitation post-petition trade obligations and routine post-petition
13 payroll obligations) shall be paid in full or performed by the Liquidating Trustee in the ordinary
14 course of business, in accordance with the terms of the particular obligation.

15 (a) **Treatment and Repayment of the Lehman Administrative**
16 **Loan(s).**

17 The Lehman Administrative Loans (certain post-petition and pre-Confirmation financing
18 provided by Lehman Related Parties pursuant to order(s) of the Bankruptcy Court, as more fully
19 defined above) are Allowed in the amount loaned or advanced by Lehman ALI after the
20 commencement of the Cases net of any repayment thereof and shall be paid in Cash in full on the
21 Effective Date, together with any interest, charges and expenses due thereupon, or shall be payable
22 at such later time and on such terms more favorable to the Liquidating Trustee to which the
23 applicable Lehman Related Party may agree; provided that repayment of any loans made through
24 use of Cash Collateral shall be repaid by replenishing such Cash Collateral and depositing the
25 amount thereof in the Plan Reserve for treatment in accordance with this Plan. Pending any such
26 payment or during a period of voluntary deferral by the applicable Lehman Related Party, the
27 Lehman Administrative Loans and any interest, charges and expenses due thereupon shall continue
28 to have a first priority Lien against the respective Assets securing such loans, including any

proceeds thereof deposited in the Plan Reserve or Post-Confirmation Accounts (with the exception of the Lien for the amounts due under the Lehman Administrative Loan secured by the 10000 Santa Monica Project, which shall be subordinate to the Secured Claims and Liens arising from the SunCal Century City Loan Agreement).

(b) Administrative Claim Bar Date.

Any Administrative Claim which is subject to an Administrative Claim Bar Date and not Filed by the applicable Administrative Claim Bar Date shall be disallowed, and no distribution shall be made on account of any such Administrative Claim.

(i) General Administrative Claim Bar Date.

All applications for final compensation of Professionals for services rendered and for reimbursement of expenses incurred on or before the Effective Date and all other requests for payment of Administrative Claims incurred before the Effective Date under Sections 507(a)(2) or 507(b) of the Bankruptcy Code (except only for (i) post-petition, ordinary course trade obligations and routine post-petition payroll obligations incurred in the ordinary course of the Plan Debtors' postpetition business, for which no bar date shall apply, and (ii) post-petition tax obligations, for which the bar date described in the following Section shall apply) shall be Filed with the Bankruptcy Court and served upon the Liquidating Trustee no later than the General Administrative Claim Bar Date, unless such date is extended by the Bankruptcy Court after notice to the Liquidating Trustee. Any such request for payment of an Administrative Claim that is subject to the General Administrative Claim Bar Date and that is not Filed and served on or before the General Administrative Claim Bar Date shall be forever barred; any party that seeks payment of Administrative Claims that is required to File a request for payment of such Administrative Claims and does not File such a request by the deadline established in the Lehman Plan, shall be forever barred from asserting such Administrative Claims against the Plan Debtors, the Liquidating Trustee, the Plan Debtors' Estates, or any of their properties.

(ii) Administrative Tax Claim Bar Date.

All requests for payment of Administrative Claims by a governmental unit for Taxes (and for interest and/or penalties related to such Taxes) for any tax year or period, all or any portion of

1 which occurs or falls within the period from and including the applicable Petition Date through and
2 including the Effective Date (“Administrative Tax Claims”) and for which no bar date has
3 otherwise previously been established, must be Filed and served on the Liquidating Trustee on or
4 before the later of (i) sixty (60) days following the Effective Date; and (ii) 180 days following the
5 filing of the tax return for such Taxes for such tax year or period with the applicable governmental
6 unit. Any Holder of an Administrative Tax Claim that is required to File a request for payment of
7 such Taxes and does not File and properly serve such a request by the applicable bar date shall be
8 forever barred from asserting any such Administrative Tax Claims against the Plan Debtors,
9 Liquidating Trustee, Plan Debtors’ Estates, or their properties.

10 **3.2 Treatment of Priority Tax Claims.**

11 Priority Tax Claims are certain unsecured income, employment and other Taxes described
12 by Bankruptcy Code Section 507(a)(8) and Claims, as provided in Bankruptcy Code Section
13 1129(a)(7)(D) which would otherwise meet such description, but for the secured status of that
14 Claim. The Bankruptcy Code requires that each Holder of such a Priority Tax Claim receive the
15 present value of such Claim in deferred Cash payments over a period not exceeding five (5) years
16 from the applicable Petition Date and that such treatment not be less favorable than the treatment
17 accorded to non-priority unsecured creditors.

18 At the election of the Liquidating Trustee, the Holder of each Allowed Priority Tax Claim
19 shall be entitled to receive, on account of such Claim, (i) equal Cash payments on the last Business
20 Day of each three-month period following the Effective Date, during a period not exceeding five
21 years after November 6, 2008, totaling the principal amount of such Claim plus simple interest on
22 any unpaid balance from the Effective Date, calculated at the interest rate available on ninety (90)
23 day United States Treasuries on the Effective Date, (ii) such other treatment agreed to by the
24 Holder of the Allowed Priority Tax Claim and the Liquidating Trustee, provided such treatment is
25 on more favorable terms to the applicable Plan Debtor’s Estate than the treatment set forth in clause
26 (i) hereof, or (iii) payment of the full Allowed Priority Tax Claim in Cash on the Effective Date.

27 **3.3 Treatment of Unavoided Liens Securing Claims That Are Not Allowed.**

28 Unless the Holder thereof objects, if there is a Lien that cannot be avoided as set forth in

1 Bankruptcy Code § 502(d) even though the Claim it secures is not Allowed or is disallowed, then
2 the Lien shall continue in force, be transferred or be released and extinguished on and after the
3 Effective Date in the same manner and to the same extent as if the Claim were Allowed as a
4 Secured Claim and any such Claim it secures shall be treated on and after the Effective Date as if it
5 were an Allowed Claim (provided that the Bankruptcy Court may issue such orders as are
6 appropriate to give effect to Bankruptcy Code § 502(e), *e.g.*, to assure a single recovery for Claims
7 of a Creditor and another Creditor liable with the applicable Debtors for such Claim and for which
8 such Debtor is liable for reimbursement or contribution). The Lehman Lenders consent to such
9 treatment.

10 **IV.**

11 **CLASSIFICATION OF CLAIMS AND INTERESTS**

12 As required by the Bankruptcy Code, the Lehman Plan places Claims and Interests into
13 various Classes according to their right to priority and other relative rights. This Plan specifies
14 whether each Class of Claims or Interests is impaired or unimpaired, and the Lehman Plan sets
15 forth the treatment each Class will receive. The table below lists the Classes of Claims established
16 under the Lehman Plan and states whether each particular Class is impaired or left unimpaired by
17 the Lehman Plan. A Class is "unimpaired" if the Lehman Plan leaves unaltered the legal, equitable
18 and contractual rights to which the Holders of Claims or Interests in the Class are entitled, with
19 certain exceptions specified in the Bankruptcy Code.

20 For voting purposes and to comply with Bankruptcy Code section 1122(a), each Allowed
21 Secured Claim shall be deemed to be in its own subclass even if not expressly designated as such.
22 Further, in the event that any alleged Secured Claim is not, or only is partially, Allowed as a
23 Secured Claim, the deficiency amount will constitute a Class 7 or Class 8 Claim against the
24 applicable Plan Debtor, as appropriate, and will receive the same treatment as provided to other
25 Claims in Class 7 or Class 8 of such Plan Debtor, as appropriate.

26 THE INVESTIGATION OF CLAIMS AND INTERESTS IS NOT YET COMPLETE,
27 AND THEIR LISTING IN THE LEHMAN PLAN OR IN THE TABLES BELOW SHOULD NOT
28 BE CONSTRUED AS PROVIDING THAT SUCH CLAIMS ARE ALLOWED UNDER THE

PLAN IN ANY RESPECT (WHETHER AS TO AMOUNT OR AS TO STATUS, E.G., AS A SECURED CLAIM, SECURED REAL PROPERTY TAX CLAIM OR MECHANIC'S LIEN CLAIM), EXCEPT AS EXPRESSLY SET FORTH FOR THE PARTICULAR CLAIM.

CLASS 1: CLASSIFICATION OF ALLOWED SECURED REAL PROPERTY TAX CLAIMS		Class 1 is Unimpaired	Class 1 Claim Holders are Not Entitled to Vote
<u>Class</u>	<u>Claims</u>	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number)</u>	
Class 1.1	Secured Real Property Tax Claim of Los Angeles County against the Ritter Ranch Project	Palmdale Hills; Palmdale Hills 12	
Class 1.2	Secured Real Property Tax Claim of Los Angeles County against the Acton Project in the amount of \$200	Acton Estates; Acton Estates 1	
Class 1.3	Secured Real Property Tax Claim of Riverside County against the Emerald Meadows Project in the amount of \$284	Emerald Meadows; Emerald Meadows 9	
Class 1.4	Secured Real Property Tax Claim of Placer County against the Bickford Ranch Project	SunCal Bickford; SunCal Bickford Scheduled Amount	
Class 1.5	Secured Real Property Tax Claim of Contra Costa County against the Delta Coves Project in the amount of \$609,221.	Delta Coves; Delta Coves 16	
Class 1.6	Secured Real Property Tax Claim of Riverside County against the Heartland Project in the amount of \$559,022.	SunCal Heartland; SunCal Heartland 5	
Class 1.7	Secured Real Property Tax Claim of Orange County against the Marblehead Project in the amount of \$379,156.	SunCal Marblehead; SunCal Marblehead 49 and 57	
Class 1.8	Secured Real Property Tax Claim of Los Angeles County against the Northlake Project in the amount of \$1,189,919.	SunCal Northlake; SunCal Northlake Scheduled Amount	
Class 1.9	Secured Real Property Tax Claim of Riverside County against the Oak Valley Project in the amount of \$280,280.	SunCal Oak Valley; SunCal Oak Valley 9	
Class 1.10	Secured Real Property Tax Claim of Los Angeles County against the 10000 Santa Monica Project in the amount of \$1,407,212.	SunCal Century City; SunCal Century City 4	
Class 1.11	Secured Real Property Tax Claim of San Bernardino County against the Palm Springs Village Project in the amount of \$589,367.	SunCal PSV; SunCal PSV 22	
Class 1.12	Secured Real Property Tax Claim (disputed) of Alameda County against the Oak Knoll Project in the amount of \$2,356,035.	SunCal Oak Knoll; SunCal Oak Knoll 22, 23 and 24	

CLASS 1: CLASSIFICATION OF ALLOWED SECURED REAL PROPERTY TAX CLAIMS		Class 1 is Unimpaired	Class 1 Claim Holders are Not Entitled to Vote
Class 1.13	Secured Real Property Tax Claim of Los Angeles County against the Tesoro Project in the amount of \$70,239.		Tesoro; Tesoro 2
Class 1.14	Secured Real Property Tax Claim of San Bernardino County against the Joshua Ridge Project in the amount of \$5,900.		SCC Communities; SCC Communities Scheduled Amount
Class 1.15	Secured Real Property Tax Claim of Placer County against the Summit Valley Project in the amount of \$ 504,245.		SunCal Summit Valley; Palmdale Hills 97
Class 1.16	Secured Real Property Tax Claim of San Bernardino County against the Summit Valley Project in the amount of \$69,530.		SunCal Summit Valley; SunCal Summit Valley Scheduled Amount
Class 1.17	Secured Real Property Tax Claim of Riverside County against the Beaumont Project in the amount of \$365,954.		SunCal Beaumont; SunCal Beaumont 9
Class 1.18	Secured Real Property Tax Claim of Stanislaus County against the Johannson Ranch Project in the amount of \$75,106.		SunCal Johannson; SunCal Johannson Scheduled Amount
Class 1.19	Secured Real Property Tax Claim of San Bernardino County against Seven Brothers' property in the amount of \$60,828.		Seven Brothers; Seven Brothers Scheduled Amount
Class 1.20	Secured Real Property Tax Claim of San Bernardino County against the property Kirby Estates' property in the amount of \$1,744.		Kirby Estates; Kirby Estates Scheduled Amount

CLASS 2: CLASSIFICATION OF LEHMAN SECURED CLAIMS²		Class 2 is Impaired	Class 2 Claim Holders are Entitled to Vote
<u>Class</u>	<u>Claims</u>	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number).</u>	
	<u>SunCal Communities I Loan Agreement</u>		

² The Secured Claims of the Lehman Creditors indicated below are calculated using the applicable Project values of the Lehman Lenders as set forth in Exhibit 2 to the Debtors' Third Amended Disclosure Statement, provided that references to "Cash Collateral" in this table are references to the Cash Collateral as of the Effective Date for the applicable Lehman Creditor from the applicable Debtor (to be estimated for voting purposes in the amount set forth in Exhibit 1 to the Debtors' Third Amended Disclosure Statement) and provided, further, that the Lehman Proponents shall be entitled to reasonably apportion any Cash Collateral in which multiple Plan Debtors' Estates may have interests.

CLASS 2: CLASSIFICATION OF LEHMAN SECURED CLAIMS ²	Class 2 is Impaired	Class 2 Claim Holders are Entitled to Vote
<u>Class</u>	<u>Claims</u>	<u>Plan Debtor and Basis for Claim</u> (i.e., Scheduled Amount or Case in Which Proof Filed and Number).
Class 2.1	Allowed Claim of Lehman Commercial or its assignee or successor against Acton Estates arising from the SunCal Communities I Loan Agreement in the Allowed Amount of \$343,221,391.06 and as an Allowed Secured Claim in the amount of \$6.8 million plus Cash Collateral	Acton Estates; Acton Estates: 6
Class 2.2	Allowed Claim of Lehman Commercial or its assignee or successor against SunCal Emerald arising from the SunCal Communities I Loan Agreement in the Allowed Amount of \$343,221,391.06 and as an Allowed Secured Claim in the amount of \$12 million plus Cash Collateral	SunCal Emerald; SunCal Emerald: 7
Class 2.3	Allowed Claim of Lehman Commercial or its assignee or successor against SunCal Bickford arising from the SunCal Communities I Loan Agreement in the Allowed Amount of \$343,221,391.06 and as an Allowed Secured Claim in the amount of \$29.5 million plus Cash Collateral	SunCal Bickford; SunCal Bickford: 16
Class 2.4	Allowed Claim of Lehman Commercial or its assignee or successor against SunCal Summit Valley arising from SunCal Communities I Loan Agreement in the Allowed Amount of \$343,221,391.06 and as an Allowed Secured Claim in the amount of \$2.2 million plus Cash Collateral	SunCal Summit Valley; SunCal Summit Valley: 12
	<u>Ritter Ranch Loan Agreement</u>	
Class 2.5	Allowed Claim of Lehman Commercial or its assignee or successor against Palmdale Hills arising from the Ritter Ranch Loan Agreement in the Allowed Amount of \$287,252,096.31 and as an Allowed Secured Claim in the amount of \$42.9 million plus Cash Collateral	Palmdale Hills; Palmdale Hills: 65
	<u>Interim Loan Agreement</u>	
Class 2.6	Allowed Claim of Lehman ALI or its assignee or successor against SCC Communities, arising from the Interim Loan Agreement in the Allowed Amount of \$23,795,012.59 and as an Allowed Secured Claim in the amount of \$1.2 million plus Cash Collateral	SCC Communities; SCC Communities: 9

CLASS 2: CLASSIFICATION OF LEHMAN SECURED CLAIMS ²	Class 2 is Impaired	Class 2 Claim Holders are Entitled to Vote
<u>Class</u>	<u>Claims</u>	<u>Plan Debtor and Basis for Claim</u> (i.e., Scheduled Amount or Case in Which Proof Filed and Number).
Class 2.7	Allowed Claim of Lehman ALI or its assignee or successor against Del Rio arising from the Interim Loan Agreement in the Allowed Amount of \$23,795,012.59 and as an Allowed Secured Claim in the amount of \$4.5 million plus Cash Collateral	Del Rio; Del Rio: 14
Class 2.8	Allowed Claim of Lehman ALI or its assignee or successor against Tesoro rising from the Interim Loan in the Allowed Amount of \$23,795,012.59 and as an Allowed Secured Claim in the amount of \$1.85 million plus Cash Collateral	Tesoro; Tesoro: 7
	<u>SunCal Oak Knoll/SunCal Torrance Loan Agreement</u>	
Class 2.9	Allowed Claim of Lehman ALI or its assignee or successor against SunCal Oak Knoll arising from the SunCal Oak Knoll/SunCal Torrance Loan Agreement in the Allowed Amount of \$158,141,364.64 and as an Allowed Secured Claim in the amount of \$48 million plus Cash Collateral	SunCal Oak Knoll; SunCal Oak Knoll: 12
Class 2.10	Allowed Claim of Lehman ALI or its assignee or successor against SunCal Torrance arising from the SunCal Oak Knoll/SunCal Torrance Agreement in the Allowed Amount of \$157,870,186.15 and as an Allowed Secured Claim in the amount of \$25 million plus Cash Collateral	SunCal Torrance; SunCal Torrance: 4
	<u>Delta Coves Loan Agreement</u>	
Class 2.11	Allowed Claim of Lehman ALI or its assignee or successor against Delta Coves arising from the Delta Coves Loan Agreement in the Allowed Amount of \$206,023,142.48 and as an Allowed Secured Claim in the amount of \$25.2 million plus Cash Collateral	Delta Coves; Delta Coves 21
	<u>SunCal Marblehead / SunCal Heartland Loan Agreement</u>	
Class 2.12	Allowed Claim of Lehman ALI against SunCal Marblehead arising from the SunCal Marblehead / SunCal Heartland Loan Agreement in the Allowed Amount of \$354,325,126.15 and as an Allowed Secured Claim in the amount of \$7.9 million plus Cash Collateral	SunCal Heartland; SunCal Heartland: 9

CLASS 2: CLASSIFICATION OF LEHMAN SECURED CLAIMS ²	Class 2 is Impaired	Class 2 Claim Holders are Entitled to Vote
Class	Claims	<u>Plan Debtor and Basis for Claim</u> (i.e., Scheduled Amount or Case in Which Proof Filed and Number).
Class 2.13	Allowed Claim of Lehman ALI or its assignee or successor against SunCal Heartland arising from the SunCal Marblehead / SunCal Heartland Loan Agreement in the Allowed Amount of \$354,325,126.15 and as an Allowed Secured Claim in the amount of \$187.5 million plus Cash Collateral	SunCal Marblehead; SunCal Marblehead: 21
	<u>SunCal Oak Valley Loan Agreement</u>	
Class 2.14	Allowed Claim of OVC Holdings or its assignee or successor against SunCal Oak Valley arising from the SunCal Oak Valley Loan Agreement in the Allowed Amount of \$141,630,091.63 and as an Allowed Secured Claim in the amount of \$20.9 million plus Cash Collateral	SunCal Oak Valley; SunCal Oak Valley 16
	<u>SunCal Northlake Loan Agreement</u>	
Class 2.15	Allowed Claim of Northlake Holdings or its assignee or successor against SunCal Northlake arising from the Northlake Loan Agreement in the Allowed Amount of \$123,654,776.88 and as an Allowed Secured Claim in the amount of \$23 million plus Cash Collateral	SunCal Northlake; SunCal Northlake 6
	<u>SunCal PSV Loan Agreement</u>	
Class 2.16	Allowed Claim of Lehman ALI or its assignee or successor arising from the SunCal PSV Loan Agreement in the Allowed Amount of \$88,257,340.20 and as an Allowed Secured Claim in the amount of \$13.8 million plus Cash Collateral	SunCal PSV; SunCal PSV 12
	<u>Pacific Point First Loan Agreement</u>	
Class 2.17	Contingent Lehman ALI Claim Against SJD Partners Allowed as a Secured Claim for Voting Purposes in the Amount of \$25 million	SJD Partners; SJD Partners 23
CLASS 3: CLASSIFICATION OF ALLOWED DANSKE SECURED CLAIM	Class 3 is Impaired	The Class 3 Claim Holder is Entitled to Vote
Class	Claims	<u>Plan Debtor and Basis for Claim</u> (i.e., Scheduled Amount or Case in Which Proof Filed and Number).

	CLASS 3: CLASSIFICATION OF ALLOWED DANSKE SECURED CLAIM	Class 3 is Impaired	The Class 3 Claim Holder is Entitled to Vote
Class	Claims		<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number).</u>
Class 3.1	Secured Claim of Danske Bank against SunCal Century City arising from the SunCal Century City Loan Agreement, in the Allowed Amount of \$120,000,000.		SunCal Century; City SunCal Century City 17

	CLASS 4: CLASSIFICATION OF ALLOWED OTHER SECURED CLAIMS	Class 4 is Unimpaired	Class 4 Claim Holders are Not Entitled to Vote
Class	Claims		Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof of Claim Filed and Number)
Class 4.1	Secured Claim of, or formerly of, Yen Chu Chang Dou, et al. pursuant to first-priority deed of trust against certain portions of the Beaumont Heights Project in the amount of \$3,173,499.50.		SunCal Beaumont; SunCal Beaumont 3
Class 4.2	Secured Claim of, or formerly of, Cheryl M. Mims pursuant to a first-priority deed of trust against certain portions of the Beaumont Heights Project in the amount of \$136,229.		SunCal Beaumont; Palmdale Hills 101
Class 4.3	Secured Claim of, or formerly of, William L & Kathleen Ward pursuant to a first-priority deed of trust against certain portions of the Beaumont Heights Project in the amount of \$130,000.		SunCal Beaumont; SunCal Beaumont Scheduled Amount
Class 4.4	Secured Claim of, or formerly of, Scott McDaniel pursuant to a first-priority deed of trust against certain portions of Beaumont Heights Project in the amount of \$535,000.		SunCal Beaumont; Palmdale Hills 20
Class 4.5	Secured Claim of, or formerly of, Wayne & Francis Lee pursuant to a first-priority deed of trust against certain portions of the Beaumont Heights Project in the amount of \$650,000.		SunCal Beaumont; SunCal Beaumont Scheduled Amount
Class 4.6	Secured Claim of, or formerly of, Marie B. Stanford pursuant to a first-priority deed of trust against certain portions of Beaumont Heights Project in the amount of \$154,742.		SunCal Beaumont; SunCal Beaumont 6
Class 4.7	Secured Claim of, or formerly of, Patricia I Volkerts pursuant to a first-priority deed of trust against certain portions of Beaumont Heights Project in the amount of \$871,703.		SunCal Beaumont; Palmdale Hills 11

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CLASS 4: CLASSIFICATION OF ALLOWED OTHER SECURED CLAIMS	Class 4 is Unimpaired	Class 4 Claim Holders are Not Entitled to Vote
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Class	Claims	Plan Debtor and Basis for Claim (<i>i.e.</i> , Scheduled Amount or Case in Which Proof of Claim Filed and Number)
Class 4.8	Secured Claim of, or formerly of, Arleen Logan pursuant to a first-priority deed of trust against certain portions of the Summit Valley Project in the amount of \$668,250.	SunCal Summit Valley; SunCal Summit Valley 5
Class 4.9	Secured Claim of, or formerly of, K Square pursuant to a first-priority deed of trust Properties Inc. against certain portions of the Summit Valley Project in the amount of \$200,000.	SunCal Summit Valley; SunCal Summit Valley Scheduled Amount
Class 4.10	Secured Claim of, or formerly of, Leslie Quigg & Betty Quigg pursuant to a first-priority deed of trust against certain portions of the Summit Valley Project in the amount of \$1,246,500.	SunCal Summit Valley; SunCal Summit Valley Scheduled Amount
Class 4.11	Secured Claim of, or formerly of, Jerry Wong Scheduled Amount & Rosalie Wong, Inc. pursuant to a first-priority deed of trust against certain portions of the Summit Valley Project in the amount of \$390,000.	SunCal Summit Valley; SunCal Summit Valley Scheduled Amount
Class 4.12	Secured Claim of, or formerly of, Cheltimalie Enterprises pursuant to a first-priority deed of trust against certain portions of the Summit Valley Project owned by Seven Brothers in the amount of \$1,388,156.	Seven Brothers; SunCal Summit 17
Class 4.13	Secured Claim of, or formerly of, Philip C. Dowse and Vera G. Dowse pursuant to a first-priority deed of trust against certain portions of the Summit Valley Project owned by Seven Brothers in the amount of \$296,910.	Seven Brothers; Seven Brothers Scheduled Amount
Class 4.14	Secured Claim of, or formerly of, Philip C. Dowse pursuant to a first-priority deed of trust against certain portions of the Summit Valley Project owned by Seven Brothers in the amount of \$880,000.	Seven Brothers; Seven Brothers Scheduled Amount

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CLASS 4: CLASSIFICATION OF ALLOWED OTHER SECURED CLAIMS		Class 4 is Unimpaired	Class 4 Claim Holders are Not Entitled to Vote
Class	Claims		Plan Debtor and Basis for Claim (<i>i.e.</i> , Scheduled Amount or Case in Which Proof of Claim Filed and Number)
Class 4.15	Secured Claim of, or formerly of, Desert Wind, LLC pursuant to a first-priority deed of trust against certain portions of the Summit Valley Project owned by Seven Brothers in the amount of \$862,000.		Seven Brothers; Seven Brothers Scheduled Amount

CLASS 5: CLASSIFICATION OF ALLOWED MECHANIC'S LIEN CLAIMS		Class 5 is Unimpaired	Class 5 Claim Holders are Not Entitled to Vote
Class	Claims	<u>Plan Debtor and Basis for Claim</u> (i.e., Scheduled Amount or Case in Which Proof Filed and Number)	
Class 5.1	Mechanic's Lien Claim of Asphalt Professionals or its assignee or successor against the Ritter Ranch Project owned by Palmdale Hills in the amount of \$38,249.	Palmdale Hills; Palmdale Hills 1 and 46	
Class 5.2	Mechanic's Lien Claim of Sierra Cascade Construction or its assignee or successor against the Ritter Ranch Project owned by Palmdale Hills in the amount of \$550,677.	Palmdale Hills; Palmdale Hills 33	
Class 5.3	Mechanic's Lien Claim of Staats Construction, Inc. or its assignee or successor against the Ritter Ranch Project owned by Palmdale Hills in the amount of \$166,105.	Palmdale Hills; Palmdale Hills 51	
Class 5.4	Mechanic's Lien Claim of Southland Farmers, Inc. or its assignee or successor against the Ritter Ranch Project owned by Palmdale Hills in the amount of \$177,801.	Palmdale Hills; Palmdale Hills 55, 67 and 68	
Class 5.5	Mechanic's Lien Claim of Pinnick, Inc. or its assignee or successor against the Ritter Ranch Project owned by Palmdale Hills in the amount of \$1,530,146.	Palmdale Hills; Palmdale Hills 62, 63 and 64	
Class 5.6	Mechanic's Lien Claim of Chameleon Design Inc. or its assignee or successor against the Ritter Ranch Project owned by Palmdale Hills in the amount of \$73,600.	Palmdale Hills; Palmdale Hills 93, 99	
Class 5.7	Mechanic's Lien Claim of HD Supply Construction or its assignee or successor against the Ritter Ranch Project owned by Palmdale Hills in the amount of \$14,893.	Palmdale Hills; Palmdale Hills 15	
Class 5.8	Mechanic's Lien Claim of Hall & Foreman, Inc. or its assignee or successor against the Emerald Meadows Project in the amount of \$287,727.	SunCal Emerald; SunCal Emerald 13	
Class 5.9	Mechanic's Lien Claim of Proactive Engineering or its assignee or successor against the Emerald Meadows Project in the amount of \$991,315.	SunCal Emerald; SunCal Emerald 15 and 16	
Class 5.10	Mechanic's Lien Claim of Park West Landscape or its assignee or successor against the Ritter Ranch Project in the amount of \$27,624.70.	Palmdale Hills; Palmdale Hills 109	
Class 5.11	Mechanic's Lien Claim of MHM Engineers or its assignee or successor against the Bickford Ranch Project in the amount of \$8,916.	SunCal Bickford; SunCal Bickford 5	

CLASS 5: CLASSIFICATION OF ALLOWED MECHANIC'S LIEN CLAIMS	Class 5 is Unimpaired	Class 5 Claim Holders are Not Entitled to Vote
Class	Claims	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number)</u>
Class 5.12	Mechanic's Lien Claim of Land Architecture or its assignee or successor against the Bickford Ranch Project in the amount of \$100,245.	SunCal Bickford; SunCal Bickford 6
Class 5.13	Mechanic's Lien Claim of Kiewit Pacific Co. or its assignee or successor against the Bickford Ranch Project in the amount of \$1,868,357.	SunCal Bickford; SunCal Bickford 10
Class 5.14	Mechanic's Lien Claim of ARB, Inc. or its assignee or successor against the Bickford Ranch Project in the amount of \$1,052,272.	SunCal Bickford; SunCal Bickford 15
Class 5.15	Mechanic's Lien Claim of Independent Construction or its assignee or successor against the Bickford Ranch Project in the amount of \$117,209.	SunCal Bickford; SunCal Bickford 28
Class 5.16	Mechanic's Lien Claim of Marques Pipeline, Inc. or its assignee or successor against the Bickford Ranch Project in the amount of \$330,118.	SunCal Bickford; SunCal Bickford 29 and 30
Class 5.17	Mechanic's Lien Claim of Pacific Soils Engineering or its assignee or successor against the portion of the Summit Valley Project owned by Summit Valley in the amount of \$16,827.	SunCal Summit Valley; SunCal Summit Valley 9
Class 5.18	Mechanic's Lien Class of, or formerly of, Hertz Equipment Rental Corporation or its assignee or successor against the Delta Coves Project in the amount of \$25,444.	Delta Coves; Delta Coves 2
Class 5.19	Mechanic's Lien Claim of MBH Architects or its assignee or successor against the Delta Coves Project in the amount of \$97,091.	Delta Coves; Delta Coves 8
Class 5.20	Mechanic's Lien Claim of HD Supply Construction or its assignee or successor against the Heartland Project in the amount of \$47,675.	SunCal Heartland; SunCal Heartland 2
Class 5.21	Mechanic's Lien Claim of Pinnick, Inc. or its assignee or successor against the Heartland Project in the amount of \$563,159.	SunCal Heartland; SunCal Heartland 8
Class 5.22	Mechanic's Lien Claim of Dennis M. McCoy & Sons or its assignee or successor against the Heartland Project in the amount of \$941,960.	SunCal Heartland; SunCal Heartland 16
Class 5.23	Mechanic's Lien Claim of SunCal Marblehead by Trimax Systems, Inc. or its assignee or successor against the Marblehead Project in the amount of \$75,286.	SunCal Marblehead; SunCal Marblehead 3

CLASS 5: CLASSIFICATION OF ALLOWED MECHANIC'S LIEN CLAIMS	Class 5 is Unimpaired	Class 5 Claim Holders are Not Entitled to Vote
Class	Claims	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number)</u>
Class 5.24	Mechanic's Lien Claim of Butsko Utility Design, Inc. or its assignee or successor against the Marblehead Project in the amount of \$6,250.	SunCal Marblehead; SunCal Marblehead 4
Class 5.25	Mechanic's Lien Claim of Dennis RMF Contracting, Inc. or its assignee or successor against the Marblehead Project in the amount of \$264,749.	SunCal Marblehead; SunCal Marblehead 28
Class 5.26	Mechanic's Lien Claim of The Jasper Companies or its assignee or successor against the Marblehead Project in the amount of \$165,260.	SunCal Marblehead; SunCal Marblehead 29
Class 5.27	Mechanic's Lien Claim of Kirk Negrete, Inc. dba United Steel Placers or its assignee or successor against the Marblehead Project in the amount of \$270,056.	SunCal Marblehead; SunCal Marblehead 38
Class 5.28	Mechanic's Lien Claim of RBF Consulting or its assignee or successor against the Marblehead Project in the amount of \$7,096.	SunCal Marblehead; SunCal Marblehead 39
Class 5.29	Mechanic's Lien Claim of RJ Noble Co. or its assignee or successor against the Marblehead Project in the amount of \$175,030.	SunCal Marblehead; SunCal Marblehead 42, 50 and 58
Class 5.30	Mechanic's Lien Claim of Orange County Stripping Services or its assignee or successor against the Marblehead Project in the amount of \$4,400.	SunCal Marblehead; SunCal Marblehead 46 and 54
Class 5.31	Mechanic's Lien Claim of Savala Equipment Co. Inc. or its assignee or successor against the Marblehead Project in the amount of \$34,440.	SunCal Marblehead; SunCal Marblehead 48 and 56
Class 5.32	Mechanic's Lien Claim of Rockey Murata Landscaping or its assignee or successor against the Marblehead Project in the amount of \$285,643.	SunCal Marblehead; SunCal Marblehead 60
Class 5.33	Mechanic's Lien Claim of HD Supply Construction or its assignee or successor against the Oak Valley Project in the amount of \$52,806.	SunCal Oak Valley; SunCal Oak Valley 3
Class 5.34	Mechanic's Lien Claim of Pinnik Inc. or its assignee or successor against the Oak Valley Project in the amount of \$966,987.	SunCal Oak Valley; SunCal Oak Valley 12 and 14
Class 5.35	Mechanic's Lien Claim of Hillcrest Contracting Inc. or its assignee or successor against the Oak Valley Project in the amount of \$136,567.	SunCal Oak Valley; SunCal Oak Valley 23
Class 5.36	Mechanic's Lien Claim of MacKenzie Landscape or its assignee or successor against the Oak Valley Project in the amount of \$121,297.	SunCal Oak Valley; SunCal Oak Valley 25

CLASS 5: CLASSIFICATION OF ALLOWED MECHANIC'S LIEN CLAIMS	Class 5 is Unimpaired	Class 5 Claim Holders are Not Entitled to Vote
Class	Claims	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number)</u>
Class 5.37	Mechanic's Lien Claim of All American Asphalt or its assignee or successor against the Oak Valley Project in the amount of \$60,355.	SunCal Oak Valley; SunCal Oak Valley 26
Class 5.38	Mechanic's Lien Claim of Los Angeles Times or its assignee or successor against the Oak Valley Project in the amount of \$43,610.	SunCal Oak Valley; SunCal Oak Valley 31 and 32
Class 5.39	Mechanic's Lien Claim of Proactive Engineering or its assignee or successor against the Oak Valley Project in the amount of \$280,685.	SunCal Oak Valley; SunCal Oak Valley 35 and 36
Class 5.40	Mechanic's Lien Claim of Ateliers Jean Nouvel or its assignee or successor against the 10000 Santa Monica Project in the amount of \$1,110,000.	SunCal Century City; SunCal Century City 15
Class 5.41	Mechanic's Lien Claim of Englekirk & Sabol Construction Structure Engineering or its assignee or successor against the 10000 Santa Monica Project in the amount of \$324,520.	SunCal Century City SunCal Century City 12
Class 5.42	Mechanic's Lien Claim of Brudvik Inc. or its assignee or successor against the Palm Springs Village Project in the amount of \$43,365.	SunCal PSV; SunCal PSV 4
Class 5.43	Mechanic's Lien Claim of Larry Jacinto Construction Inc. or its assignee or successor against the Palm Springs Village Project in the amount of \$212,663.	SunCal PSV; SunCal PSV 5 and 24
Class 5.44	Mechanic's Lien Claim of William + Paddon Architects + Planners Inc. or its assignee or successor against the Palm Springs Village Project in the amount of \$73,798.	SunCal PSV; SunCal PSV 9 and 10
Class 5.45	Mechanic's Lien Claim of Southern California Edison or its assignee or successor against the Palm Springs Village Project in the amount of \$23,861.	SunCal PSV; SunCal PSV 26
Class 5.46	Mechanic's Lien Claim of Pacific Masonry Walls, Inc. or its assignee or successor against the Palm Springs Village Project in the amount of \$314,061.	SunCal PSV; SunCal PSV 33 and 39
Class 5.47	Mechanic's Lien Claim of J.R. Simplot Company or its assignee or successor against the Palm Springs Village Project in the amount of \$3,467.	SunCal PSV; SunCal PSV 34 and 40
Class 5.48	Mechanic's Lien Claim of Desert Pipeline Inc. or its assignee or successor against the Palm Springs Village Project in the amount of \$469,784.	SunCal PSV; SunCal PSV 36, 42 and 47
Class 5.49	Mechanic's Lien Claim of MSA Consulting or its assignee or successor against the Palm Springs Village Project in the amount of \$666,897.	SunCal PSV; SunCal PSV 43

CLASS 5: CLASSIFICATION OF ALLOWED MECHANIC'S LIEN CLAIMS		Class 5 is Unimpaired	Class 5 Claim Holders are Not Entitled to Vote
Class	Claims	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number)</u>	
Class 5.50	Mechanic's Lien Claim of Jackson DeMarco or its assignee or successor against the Palm Springs Village Project in the amount of \$52,234.	SunCal PSV; SunCal PSV 45	
Class 5.51	Mechanic's Lien Claim of Oliphant Gold, Inc. or its assignee or successor against the Oak Knoll Project in the amount of \$456,476.	SunCal Oak Knoll; SunCal Oak Knoll 46	
Class 5.52	Mechanic's Lien Claim of RGA Environmental, Inc. or its assignee or successor against the Oak Knoll Project in the amount of \$75,617.	SunCal Oak Knoll; SunCal Oak Knoll 1	
Class 5.53	Mechanic's Lien Claim of BKF Engineers or its assignee or successor against the Oak Knoll Project in the amount of \$308,817.	SunCal Oak Knoll; SunCal Oak Knoll 2 and 19	
Class 5.54	Mechanic's Lien Claim of CST Environmental Inc. or its assignee or successor against the Oak Knoll Project in the amount of \$4,316,169.	SunCal Oak Knoll; SunCal Oak Knoll 4 and 9	
Class 5.55	Mechanic's Lien Claim of The Professional Tree Care Co. or its assignee or successor against the Oak Knoll Project in the amount of 93,925.01.	SunCal Oak Knoll; SunCal Oak Knoll 3	
Class 5.56	Mechanic's Lien Claim of Proactive Engineering or its assignee or successor against the Beaumont Heights Project in the amount of \$46,188.	SunCal Beaumont; SunCal Beaumont 11 and 12	
Class 5.57	Mechanic's Lien Claim of Park West Landscape or its assignee or successor against the "Del Rio Ranch Project" in the amount of \$148,266.10.	Del Rio; Del Rio 26	

CLASS 6: CLASSIFICATION OF ALLOWED PRIORITY CLAIMS		Class 6 is Unimpaired	Class 6 Claim Holders are Not Entitled to Vote
Class	Claims	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number)</u>	
Class 6.1	Priority Claims against SunCal Marblehead (alleged amount - \$10,950).	SunCal Marblehead; SunCal Marblehead Scheduled Amount and SunCal Marblehead 45	
Class 6.2	Priority Claims against SunCal Oak Knoll (alleged amount - \$235).	SunCal Oak Knoll; SunCal Oak Knoll 26	
Class 6.3	Priority Claims against Palmdale Hills (alleged amount - \$10,950).	Palmdale Hills; Palmdale Hills 70	

Class 6.4	Priority Claims against SJD Partners (alleged amount - \$4,188).	SJD Partners; SJD Partners Scheduled Amount and SJD Partners 12
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CLASS 7: CLASSIFICATION OF ALLOWED GENERAL UNSECURED CLAIMS³		Class 7 is Impaired	Class 7 Claim Holders are Entitled to Vote
Class	Claims	Plan Debtor	
Class 7.1	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman Commercial or its assignee or successor arising from the Ritter Ranch Loan Agreement in the Allowed Amount of \$244,352,096.31 less Cash Collateral)	Palmdale Hills	
Class 7.2	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman ALI or its assignee or successor arising from the Interim Loan Agreement in the Allowed Amount of \$19,295,012.59 less Cash Collateral)	Del Rio	
Class 7.3	General Unsecured Claims	SunCal Beaumont	
Class 7.4	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman Commercial or its assignee or successor arising from the SunCal Communities I Loan Agreement in the Allowed Amount of \$331,221,391.06 less Cash Collateral)	SunCal Emerald	
Class 7.5	General Unsecured Claims	SunCal Johansson	
Class 7.6	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman Commercial or its assignee or successor arising from the SunCal Communities I Loan Agreement in the Allowed Amount of \$341,021,391.06 less Cash Collateral)	SunCal Summit Valley	
Class 7.7	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman Commercial or its assignee or successor arising from the SunCal Communities I Loan Agreement in the Allowed Amount of \$336,421,391.06 less	Acton Estates	

³ The General Unsecured Claims of the Lehman Creditors indicated below are calculated by deducting the applicable Lehman Creditor's Allowed Secured Claims under this Plan for the subject loan as against the subject Debtor from the total Allowed Claim thereof, provided that references to "Cash Collateral" in this table are references to the Cash Collateral as of the Effective Date for the applicable Lehman Creditor from the applicable Debtor (to be estimated for voting purposes in the amount set forth in Exhibit 1 to the Debtors' Third Amended Disclosure Statement and not to be deducted for more than one loan) and provided, further, that the Lehman Proponents shall be entitled to reasonably apportion any Cash Collateral in which multiple Plan Debtors' Estates may have interests.

CLASS 7: CLASSIFICATION OF ALLOWED GENERAL UNSECURED CLAIMS ³	Class 7 is Impaired	Class 7 Claim Holders are Entitled to Vote
Class	Claims	Plan Debtor
	Cash Collateral)	
Class 7.8	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman ALI or its assignee or successor arising from the Delta Coves Loan Agreement in the Allowed Amount of \$180,823,142.48 less Cash Collateral)	Delta Coves
Class 7.9	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman ALI or its assignee or successor arising from the SunCal Marblehead / SunCal Heartland Loan Agreement in the Allowed Amount of \$346,425,126.15 less Cash Collateral)	SunCal Heartland
Class 7.10	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman ALI or its assignee or successor arising from the SunCal Marblehead / SunCal Heartland Loan Agreement in the Allowed Amount of \$166,825,126.15 less Cash Collateral)	SunCal Marblehead
Class 7.11	General Unsecured Claims (including the Contingent Lehman ALI Claims Against SJD Partners Allowed as a General Unsecured Claim for Voting Purposes in the Amount of \$95,110,237 and the Amount of approximately \$28 million)	SJD Partners
Class 7.12	General Unsecured Claims	SunCal Century City
Class 7.13	General Unsecured Claims (including the Allowed General Unsecured Claim of Northlake Holdings or its assignee or successor arising from the Northlake Loan Agreement in the Allowed Amount of \$100,654,776.88 less Cash Collateral)	SunCal Northlake
Class 7.14	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman ALI or its assignee or successor arising from the SunCal Oak Knoll/SunCal Torrance Loan Agreement in the Allowed Amount of \$110,141,364.64 less Cash Collateral)	SunCal Oak Knoll
Class 7.15	General Unsecured Claims (including the Allowed General Unsecured Claim of OVC Holdings or its assignee or successor arising from the SunCal Oak Valley Loan Agreement in the Allowed Amount of \$120,730,091.63 less Cash Collateral)	SunCal Oak Valley

CLASS 7: CLASSIFICATION OF ALLOWED GENERAL UNSECURED CLAIMS³	Class 7 is Impaired	Class 7 Claim Holders are Entitled to Vote
Class	Claims	Plan Debtor
Class 7.16	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman ALI or its assignee or successor arising from the SunCal PSV Loan Agreement in the Allowed Amount of \$74,457,340.20 less Cash Collateral)	SunCal PSV
Class 7.17	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman ALI or its assignee or successor arising from the SunCal Oak Knoll/SunCal Torrance Loan Agreement in the Allowed Amount of \$132,870,186.15 less Cash Collateral)	SunCal Torrance
Class 7.18	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman ALI or its assignee or successor arising from the Interim Loan Agreement in the Allowed Amount of \$22,595,012.59 less Cash Collateral)	SCC Communities
Class 7.19	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman ALI or its assignee or successor arising from the Interim Loan Agreement in the Allowed Amount of \$21,945,012.59 less Cash Collateral)	Tesoro
Class 7.20	General Unsecured Claims (including the Allowed General Unsecured Claims of: (a) Lehman Commercial or its assignee or successor arising from the SunCal Communities I Loan Agreement in the Allowed Amount of \$313,721,391.06 less Cash Collateral and (b) Lehman ALI or its assignee or successor arising from the Bickford Second Lien Loan Agreement in the Allowed Amount of \$56,494,059.38)	SunCal Bickford
Class 7.21	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman Commercial or its assignee or successor arising from the SunCal Communities I Loan Agreement in the Allowed Amount of \$343,221,391.06)	SunCal I
Class 7.22	General Unsecured Claims	Seven Brothers
Class 7.23	General Unsecured Claims	Kirby Estates
Class 7.24	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman Commercial or its assignee or successor arising	SCC Palmdale

CLASS 7: CLASSIFICATION OF ALLOWED GENERAL UNSECURED CLAIMS ³		Class 7 is Impaired	Class 7 Claim Holders are Entitled to Vote
Class	Claims	Plan Debtor	
	from the SCC Palmdale Loan Agreement in the Allowed Amount of \$119,664,305.25)		
CLASS 8: CLASSIFICATION OF ALLOWED ES CLAIMS		Class 8 is Impaired	Class 8 Claim Holders are Entitled to Vote
Class	Claims	<u>Plan Debtor and Basis for Claims</u>	
Class 8.1	ES Claims	Palmdale Hills	
Class 8.2	ES Claims	Del Rio - Various Filed and Scheduled	
Class 8.3	ES Claims	SunCal Emerald - Various Filed and Scheduled	
Class 8.4	ES Claims	SunCal Summit Valley - Various Filed and Scheduled	
Class 8.5	ES Claims	Acton Estates - Various Filed and Scheduled	
Class 8.6	ES Claims	Delta Coves - Various Filed and Scheduled	
Class 8.7	ES Claims	SunCal Heartland - Various Filed and Scheduled	
Class 8.8	ES Claims	SunCal Marblehead - Various Filed and Scheduled	
Class 8.9	ES Claims	SJD Partners - Various Filed and Scheduled	
Class 8.10	ES Claims	SunCal Northlake - Various Filed and Scheduled	
Class 8.11	ES Claims	SunCal Oak Knoll - Various Filed and Scheduled	
Class 8.12	ES Claims	SunCal Oak Valley - Various Filed and Scheduled	
Class 8.13	ES Claims	SunCal PSV - Various Filed and Scheduled	
Class 8.14	ES Claims	SunCal Torrance - Various Filed and Scheduled	

CLASS 8: CLASSIFICATION OF ALLOWED ES CLAIMS	Class 8 is Impaired	Class 8 Claim Holders are Entitled to Vote
Class	Claims	<u>Plan Debtor and Basis for Claims</u>
Class 8.15	ES Claims	SCC Communities - Various Filed and Scheduled
Class 8.16	ES Claims	Tesoro - Various Filed and Scheduled
Class 8.17	ES Claims	SunCal Bickford - Various Filed and Scheduled
Class 8.18	ES Claims	SunCal I
Class 8.19	ES Claims	SCC Palmdale

CLASS 9: CLASSIFICATION OF ALLOWED INTERESTS	Class 9 is Impaired	Class 9 Interest Holders are Deemed to Reject the Plan and are Not Entitled to Vote
Class	Interests (and alleged Holders)	<u>Plan Debtor and Basis for Interests</u>
Class 9.1	Interests in Palmdale Hills (of SCC Palmdale).	Palmdale Hills Scheduled
Class 9.2	Interests in Del Rio (of SCC LLC).	Del Rio Scheduled
Class 9.3	Interests in SunCal Beaumont (of SunCal I).	SunCal Beaumont Scheduled
Class 9.4	Interests in SunCal Emerald (of SunCal I).	SunCal Emerald Scheduled
Class 9.5	Interests in SunCal Johannson (of SunCal I).	SunCal Johannson Scheduled
Class 9.6	Interests in SunCal Summit Valley (of SunCal I).	SunCal Summit Valley Scheduled
Class 9.7	Interests in Acton Estates (of SunCal I).	Acton Estates Scheduled
Class 9.8	Interests in Delta Coves (of Delta Coves Member LLC).	Delta Coves Scheduled
Class 9.9	Interests in SunCal Heartland (of SunCal Marblehead Heartland Master LLC).	SunCal Heartland Scheduled
Class 9.10	Interests in SunCal Marblehead (of SunCal Marblehead Heartland Master LLC).	SunCal Marblehead Scheduled

CLASS 9: CLASSIFICATION OF ALLOWED INTERESTS	Class 9 is Impaired	Class 9 Interest Holders are Deemed to Reject the Plan and are Not Entitled to Vote
Class	Interests (and alleged Holders)	<u>Plan Debtor and Basis for Interests</u>
Class 9.11	Interests in SJD Partners (of, <i>inter alia</i> , SJD Development).	SJD Partners Scheduled
Class 9.12	Interests in SunCal Century City (of SunCal Century City Member LLC).	SunCal Century City Scheduled
Class 9.13	Interests in SunCal Northlake (of SCLV Northlake, LLC and SCC/Northlake, LLC).	SunCal Northlake Scheduled
Class 9.14	Interests in SunCal Oak Knoll (of Lehman SunCal Real Estate Holdings LLC).	SunCal Oak Knoll Scheduled
Class 9.15	Interests in SunCal Oak Valley (of SCLV Oak Valley LLC and SCC/Oak Valley, LLC).	SunCal Oak Valley Scheduled
Class 9.16	Interests in SunCal PSV (of Lehman SunCal PSV Holdings LLC).	SunCal PSV Scheduled
Class 9.17	Interests in SunCal Torrance (of Lehman SunCal Real Estate Holdings LLC).	SunCal Torrance Scheduled
Class 9.18	Interests in SCC Communities (of SCC LLC).	SCC Communities Scheduled
Class 9.19	Interests in Tesoro (of SCC LLC).	Tesoro Scheduled
Class 9.20	Interests in SunCal Bickford (of SunCal I).	SunCal Bickford Scheduled
Class 9.21	Interests in SunCal I (of SCC LLC).	SunCal I Scheduled
Class 9.22	Interests in Seven Brothers (of SunCal Summit Valley).	Seven Brothers Scheduled
Class 9.23	Interests in Kirby Estates (of SunCal Summit Valley).	Kirby Estates Scheduled
Class 9.24	Interests in SCC Palmdale (of SCC LLC).	SCC Palmdale Scheduled

V.

TREATMENT OF CLASSIFIED CLAIMS AND INTERESTS

Any references in the Lehman Plan to Class 1, Class 2, Class 4, Class 5, Class 6, Class 7, Class 8 and Class 9 are summary references made for convenience only to the group of subclasses

of each such Class (Classes 1.1 through 1.20, Classes 2.1 through 2.17, Classes 4.1 through 4.15, Classes 5.1 through 5.57, Classes 6.1 through 6.4, Classes 7.1 through 7.24, Classes 8.1 through 8.19 and Classes 9.1 through 9.24). Regardless of the treatment provided in the Lehman Plan for any Holder of a Claim, the Holder may agree to accept less favorable treatment. Provisions for treatment below for Holders of Allowed Claims are not an indication that any particular Claim is Allowed unless expressly provided.

5.1 Treatment of Allowed Secured Real Property Tax Claims (Classes 1.1 through 1.20).

The treatment of any Allowed Secured Real Property Tax Claims in Classes 1.1 through 1.20 under the Lehman Plan is as follows:

(a) Classes 1.1 through 1.20 are unimpaired under the Plan, and each Holder of an Allowed Secured Real Property Tax Claim is not entitled to vote on the Plan;

(b) As of the Effective Date, each Holder of an Allowed Secured Real Property Tax Claim shall retain its underlying Liens on the applicable real property collateral;

(c) On or before the Effective Date, the Lehman Lenders, in consultation with the Committees and the anticipated Liquidating Trustee, as limited below, shall select, and the Liquidating Trustee shall implement, as necessary, unless the Holder of an Allowed Secured Real Property Tax Claim agrees to less favorable treatment, one of the following alternative treatments for each such Allowed Secured Real Property Tax Claim, which treatment shall be in full and final satisfaction, settlement, release, and discharge of, and exchange for each such Allowed Secured Real Property Tax Claim:

A. Cash Payment. On the Effective Date, the Liquidating Trustee (with the consent of the Lehman Lenders to the extent that payment would require utilization of Cash Collateral of any of the Lehman Creditors, which consent may be granted or denied in their sole discretion) will pay, to the Holder of such Allowed Secured Real Property Tax Claim, Cash equal to the amount of such Allowed Secured Real Property Tax Claim, or such lesser amount as to which the Holder of such Allowed Secured Real Property Tax Claim, the Liquidating Trustee and the Lehman Lenders agree; or

1 **B. Unimpairment.** (i) As of the Effective Date, the Holder of such Allowed
2 Secured Real Property Tax Claim shall have left unaltered its legal, equitable and contractual rights
3 as a Holder of such Allowed Secured Real Property Tax Claim and shall be free to pursue its rights
4 and remedies against the underlying real property collateral under applicable nonbankruptcy law;
5 and (ii) the Liquidating Trustee shall File with the Bankruptcy Court and serve on the Holder notice
6 of the selection of this alternative treatment for such Holder.

7 **5.2 Treatment of Lehman Secured Claims (Classes 2.1 through 2.17).**

8 The treatment of Lehman Secured Claims (Classes 2.1 through 2.17) under the Lehman
9 Plan shall be as follows:

10 **5.2.1 Voting.**

11 Classes 2.1 through 2.17 are impaired under the Plan, and each Holder of a Lehman Secured
12 Claim is entitled to vote on the Plan.

13 **5.2.2 Liens.**

14 As of the Effective Date, each Holder of a Lehman Secured Claim shall retain its underlying
15 Liens on the applicable collateral. Thereafter, additional Liens may be granted or Liens may be
16 released all as set forth in Section 5.2 and Article VII of the Plan.

17 **5.2.3 Claims.**

18 Subject to applicable provisions of the Lehman Plan, including Article VII of the Plan
19 (which provisions are designed to protect (a) ES Claimants as provided therein in the event of an
20 ES Final Judgment subordinating all or any part of certain Lehman Secured Claims to Allowed ES
21 Claims and (b) the Estates of Acton Estates, Tesoro and SCC Communities in the event of a Cross-
22 Collateralization Final Judgment), each Claim of a Lehman Creditor other than the Contingent
23 Lehman ALI Secured Claim Against SJD Partners shall be Allowed for voting and all other
24 purposes in the amount and with the status as a Secured Claim or General Unsecured Claim as set
25 forth in the classification tables in Article IV above; provided that:

26 (i) as to any Lehman Secured Claim secured by collateral of the applicable
27 Lehman Creditor (other than Cash Collateral), which has been sold to a Successful Bidder in
28 accordance with the Lehman Plan Sale Procedures: (1) the amount of the Lehman Secured Claim

1 shall be adjusted to equal the sum of (x) any such Cash Collateral and (y) the amount bid by the
2 Successful Bidder for the non-Cash collateral; and (2) the applicable Allowed Class 7 Claim of the
3 applicable Lehman Creditor shall be adjusted accordingly;

4 (ii) as to all other Lehman Secured Claims (including the Contingent Lehman
5 ALI Secured Claim Against SJD Partners), upon disposition of all of the collateral therefor or upon
6 a valuation motion made by the Liquidating Trustee or the applicable Holder of any Lehman
7 Secured Claims after abandonment or surrender of the collateral therefor, the amount of the
8 applicable Lehman Secured Claim and any related deficiency shall be accordingly adjusted;

9 (iii) the Contingent Lehman ALI Secured Claim Against SJD Partners
10 initially shall be treated as a Disputed Claim for distribution purposes, but: (1) initially also shall be
11 Allowed for voting purposes as a Secured Claim in the amount of \$25 million and as General
12 Unsecured Claims in the amounts of \$95,110,237 and \$28 million, and (2) contingent upon the
13 Pacific Point Foreclosure being set aside, shall be Allowed as a Secured Claim in the amount of
14 \$25 million and as General Unsecured Claims in the amounts of \$95,110,237 and \$28 million for
15 distribution and all other purposes, subject to adjustment in accordance with clause (ii) of this
16 proviso; and

17 (iv) the following Liens, *inter alia*, are deemed valid and preserved, in
18 accordance with that *Stipulation Valuing Certain Collateral and Preserving Certain Liens* Filed in the
19 Cases, for the benefit of the Lehman Creditors and any other holder of an interest in any of the
20 Liens for the sole purpose of allowing the Lehman Creditors and any other holder of any interest in
21 any of the Liens to enforce their rights to obtain any available distribution from the applicable Plan
22 Debtor's Estate prior to any distribution to holders of Interests in such applicable Plan Debtor, and,
23 thus, permitting, *inter alia*, the Contingent Bids set forth in Section 7.9.1 below of the Plan: (1)
24 Lehman Commercial's SunCal I Lien; (2) Lehman Commercial's SCC Palmdale Lien; and (3)
25 Lehman ALI's Bickford Second Lien.

26 **5.2.4 Disposition of Collateral**

27 On the Effective Date, all Cash Collateral for a Lehman Secured Claim not used on
28 the Effective Date as permitted or required by the Lehman Plan shall be deposited into the Plan

1 Reserve (a reserve fund to be established by the Liquidating Trustee to hold the Ritter Cash, all
2 Cash Collateral of a Lehman Creditor held by a Plan Debtor, and any other Cash required or
3 permitted to be deposited therein on the Effective Date pursuant to the terms of the Lehman Plan,
4 all as more fully defined above). Certain of the Remaining Real Restate Projects shall be sold or
5 conveyed pursuant to the Lehman Plan Sale Procedures (discussed below in Plan Section 7.9.1). If
6 a Project or other Asset of a Plan Debtor which is the collateral for a Lehman Secured Claim is
7 transferred to one or more Lehman Nominees pursuant to the Lehman Plan Sale Procedures, any
8 such Project so conveyed shall become a PRA Security Project subject to a PRA Recovery Deed of
9 Trust as and to the extent described in Article VII of the Plan, which PRA Recovery Deed of Trust
10 will be part of the PRA Recovery Security Pool and thus security for any ES Final Judgment, in
11 accordance with this Plan. If a Project or other Asset of a Plan Debtor which is collateral for a
12 Lehman Secured Claim is sold to a third party purchaser, the Net Cash Proceeds therefrom shall be
13 remitted to the Liquidating Trustee who shall hold such Net Cash Proceeds in the Plan Reserve and
14 any non-Cash Net Proceeds therefrom shall also be remitted to the Liquidating Trustee and the
15 applicable Lehman Lender shall be afforded a substitute Lien on such non-Cash Net Proceeds. Any
16 remaining collateral for a Lehman Secured Claim, which is not otherwise sold or conveyed
17 pursuant to the Lehman Plan Sale Procedures may be retained, sold or abandoned by the
18 Liquidating Trustee as provided under the Lehman Plan with the Net Cash Proceeds therefrom to
19 be applied first to pay such Lehman Secured Claim and then to pay other Claims in accordance
20 with the Lehman Plan, provided that (a) if no disposition of such collateral occurs within one (1)
21 year after the Effective Date, the applicable Lehman Lender may enforce its Liens; and (b) if the
22 Pacific Point Project is recovered by the Estate of SJD Partners and proposed to be sold, the
23 applicable Lehman Creditor shall be entitled to credit bid up to the full amount of its unpaid Claim
24 against SJD Partners.

25 **5.2.5 Releases, Reconveyances, Assignments and Payments.**

26 (i) Upon Conclusion of the Project Related Actions (*i.e.*, the ES
27 Action and any Cross-Collateralization Actions) in favor of the applicable Lehman Related Parties,
28 consistent therewith, the Liquidating Trustee shall (1) release and reconvey to the applicable

1 Lehman Nominees all PRA Recovery Deeds of Trust and terminate all Reconveyance Agreements,
2 (2) pay the applicable Lehman Nominee the amount held in the Plan Reserve in respect of, and any
3 other, Net Cash Proceeds of the sale of the PRA Security Project previously owned by such
4 Lehman Nominee, (3) assign non-Cash Net Proceeds (including all substitute Liens and related,
5 underlying obligations) (x) from the sale of any PRA Security Project, to the applicable Lehman
6 Nominee and (y) from the sale of any collateral for a Lehman Secured Claim, to the applicable
7 Holder of such Lehman Secured Claim, (4) distribute to the applicable Holder of a Lehman Secured
8 Claim any remaining non-Cash collateral for such Claim, and (5) pay to the applicable Holder of a
9 Lehman Secured Claim, the amounts held in the Plan Reserve with respect to such Lehman Secured
10 Claim (including any Cash Collateral of such Holder that was deposited in the Plan Reserve) and
11 any other Net Cash Proceeds of the disposition of collateral for such Lehman Secured Claim, up to
12 the amount of the Lehman Secured Claim, with interest and fees in accordance with its contractual
13 terms. Thereupon, the Lehman Secured Claim shall be deemed satisfied by such payments and
14 such conveyances of collateral free and clear as set forth in Section 7.9.1.

15 (ii) Upon Conclusion of the Project Related Actions against the applicable
16 Lehman Related Parties, consistent therewith, the Liquidating Trustee, in satisfaction of the Project
17 Related Action Recoveries, shall distribute to the applicable Estates available Cash from the Plan
18 Reserve and shall liquidate and distribute to the applicable Estates the Net Proceeds from the PRA
19 Recovery Security Pool and non-Cash Net Proceeds from the sale of collateral for the Lehman
20 Secured Claims (which are the exclusive sources of satisfaction of a Project Related Action
21 Recovery absent a voluntary payment by a Lehman Related Party in accordance with Article VII of
22 the Plan), and upon satisfaction of the Project Related Action Recoveries, to the extent of any
23 remainder of such Cash or property, the Liquidating Trustee shall afford Lehman Secured Claims
24 the treatment described in the preceding subparagraph to this Section 5.2.5 of the Lehman Plan.

25 (iii) As more fully set forth in Article VII of the Plan, at any time that the Plan
26 Reserve contains an amount equal to the Maximum PRA Recovery Amount, the Liquidating
27 Trustee shall release and reconvey to the applicable Lehman Nominees all PRA Recovery Deeds of
28 Trust, terminate all Reconveyance Agreements and release to the applicable Holders of Lehman

1 Secured Claims and all Lehman Nominees all funds in the Plan Reserve in excess of the Maximum
2 PRA Recovery Amount.

3 **5.3 Treatment of Allowed Danske Secured Claim (Class 3).**

4 The treatment of the Danske Secured Claim (Class 3) under the Lehman Plan shall be as
5 follows:

6 **5.3.1 Voting.**

7 Class 3 is impaired under the Plan, and the Holder of the Allowed Danske Secured Claim is
8 entitled to vote on the Plan.

9 **5.3.2 Liens.**

10 As of the Effective Date, the Holder of the Allowed Danske Secured Claim shall retain its
11 underlying Liens on the applicable collateral.

12 **5.3.3 Claims.**

13 The Allowed Danske Secured Claim shall be Allowed for voting and all other purposes as a
14 Secured Claim in the amounts set forth in Article IV above; provided that (i) any deficiency shall
15 be an Allowed Class 7 Claim in the appropriate subclass thereof; and (ii) upon disposition of all of
16 the collateral for such Allowed Danske Secured Claim or upon valuation motion made by the
17 Liquidating Trustee or the Holder of such Allowed Danske Secured Claim after abandonment or
18 surrender of such collateral, the amount of the Allowed Danske Secured Claim and any related
19 deficiency shall be accordingly adjusted.

20 **5.3.4 Disposition of Collateral and Means Therefor**

21 The Allowed Danske Secured Claim shall receive either the following treatment or such less
22 favorable treatment to which its Holder consents:

23 On the Effective Date, all Cash Collateral for the Allowed Danske Secured Claim shall be
24 turned over to the Holder of the Allowed Danske Secured Claim in respect of such Claim, unless
25 the Holder agrees to permit the Liquidating Trustee to retain or use any portion thereof.

26 The Liquidating Trustee shall market for sale and sell the non-Cash collateral for the
27 Allowed Danske Secured Claim, if any, including the 10000 Santa Monica Project, if not
28 previously sold or conveyed from the Estate of SunCal Century City, or abandon all or any of such

1 collateral upon motion to the Bankruptcy Court. The collateral, together with all associated
2 personal property, shall be sold free and clear of Encumbrances other than Permitted Liens for
3 Cash, or on such other terms to which the Holder of the Allowed Danske Secured Claim consents.
4 The Holder of the Allowed Danske Secured Claim shall receive at least thirty (30) days' prior
5 notice of any proposed sale. The Holder of the Allowed Danske Secured Claim may elect to credit
6 bid in response to such notice up to the full amount of the Allowed Danske Secured Claim (without
7 the amount bid being limited to the value of the interest of the Holder of the Allowed Danske
8 Secured Claim in such collateral).

9 If the collateral for the Allowed Danske Secured Claim is sold to a third party purchaser,
10 promptly upon receipt thereof by the Liquidating Trustee, there shall be turned over or paid to the
11 Holder of the Allowed Danske Secured Claim up to the full amount of the Allowed Danske
12 Secured Claim from any non-Cash Net Proceeds therefrom and from the Net Cash Proceeds
13 remaining after payment, (a) first, of SunCal Century City's Pro Rata share of the Lehman Post-
14 Confirmation Funding, (b) second, payment of SunCal Century City's direct Post-Confirmation
15 Expenses and its Pro Rata share of unpaid Post-Confirmation Expenses commonly allocable among
16 it and other Plan Debtors, and (c) third, any post-Confirmation Date intercompany payables. Any
17 remaining Net Cash Proceeds thereafter shall be used to pay other obligations of the applicable
18 Debtor in the priorities set forth in Section 7.11.2(c) of the Plan. If no disposition of such collateral
19 occurs within one (1) year after the Effective Date, the Holder of the Allowed Danske Secured
20 Claim may enforce its Liens. The Holder of the Allowed Danske Secured Claim may advance
21 funds to the Liquidating Trustee for the protection of its collateral or administration of the Estate of
22 SunCal Century City on such terms as the Holder of the Allowed Danske Secured Claim and
23 Liquidating Trustee agree.

24 **5.4 Treatment of Allowed Other Secured Claims (Classes 4.1 Through 4.15).**

25 The treatment of any Allowed Other Secured Claims in Classes 4.1 through 4.15 under the
26 Lehman Plan shall be as follows:

27 (a) Classes 4.1 through 4.15 are unimpaired under the Plan, and each Holder of an
28 Allowed Secured Claim in Classes 4.1 through 4.15 is not entitled to vote on the Plan;

(b) As of the Effective Date, each Holder of an Allowed Other Secured Claim in Classes 4.1 through 4.15 shall retain its underlying Liens on the applicable collateral;

(c) On or before the Effective Date, the Lehman Lenders, in consultation with the Committees and anticipated Liquidating Trustee, as limited below, shall select and the Liquidating Trustee shall implement, as necessary, unless the Holder of an Allowed Other Secured Claim in Classes 4.1 through 4.15 agrees to less favorable treatment, one of the following alternative treatments for each such Allowed Other Secured Claim in Classes 4.1 through 4.15, which treatment shall be in full and final satisfaction, settlement, release, and discharge of, and exchange for each such Allowed Secured Claim in Classes 4.1 through 4.15:

A. Abandonment or Surrender. On the Effective Date, the Liquidating Trustee will abandon or surrender to the Holder of such Allowed Other Secured Claim in Classes 4.1 through 4.15 the property securing such Allowed Other Secured Claim in Classes 4.1 through 4.15 as of the Effective Date;

B. Cash Payment. On the Effective Date, the Liquidating Trustee (with the consent of the Lehman Lenders to the extent that payment would require utilization of Cash Collateral of any of the Lehman Creditors, which consent may be granted or denied in their sole discretion) will pay, to the Holder of such Allowed Other Secured Claim in Classes 4.1 through 4.15, Cash equal to the amount of such Allowed Other Secured Claim in Classes 4.1 through 4.15, or such lesser amount as to which the Holder of such Allowed Other Secured Claim in Classes 4.1 through 4.15, the Liquidating Trustee and the Lehman Lenders agree; or

C. Unimpairment. (i) As of the Effective Date, the Holder of such Allowed Other Secured Claim in Classes 4.1 through 4.15 shall have left unaltered its legal, equitable and contractual rights as a Holder of such Allowed Other Secured Claim in Classes 4.1 through 4.15 and shall be free to pursue its rights and remedies against the underlying collateral under applicable nonbankruptcy law; and (ii) the Liquidating Trustee shall File with the Bankruptcy Court and serve on the Holder of each Allowed Other Secured Claim in Classes 4.1 through 4.15 for which this treatment is selected, notice of the selection of this alternative treatment for such Holder.

1 **5.5 Treatment of Allowed Secured Mechanic's Lien Claims Against the Plan**
2 **Debtors (Classes 5.1 through 5.57).**

3 The treatment of any Allowed Secured Mechanic's Lien Claims in Classes 5.1 through 5.57
4 under the Lehman Plan shall be as follows:

5 (a) Classes 5.1 through 5.57 are unimpaired under the Plan, and each Holder of an
6 Allowed Secured Mechanic's Lien Claim in Classes 5.1 through 5.57 is not entitled to vote on the
7 Plan;

8 (b) As of the Effective Date, each Holder of an Allowed Secured Mechanic's Lien
9 Claim in Classes 5.1 through 5.57 shall retain its underlying Liens on the applicable collateral;

10 (c) On or before the Effective Date, the Lehman Lenders, in consultation with the
11 Committees and the anticipated Liquidating Trustee, as limited below, shall select, and the
12 Liquidating Trustee shall implement, as necessary, unless the Holder of an Allowed Secured
13 Mechanic's Lien Claim in Classes 5.1 through 5.57 agrees to less favorable treatment, one of the
14 following alternative treatments for each such Allowed Secured Mechanic's Lien Claim in Classes
15 5.1 through 5.57, which treatment shall be in full and final satisfaction, settlement, release, and
16 discharge of, and exchange for each such Allowed Secured Mechanic's Lien Claim in Classes 5.1
17 through 5.57:

18 **A. Abandonment or Surrender.** On the Effective Date, the Liquidating Trustee
19 will abandon or surrender to the Holder of such Allowed Secured Mechanic's Lien Claim in
20 Classes 5.1 through 5.57 the property securing such Allowed Secured Claim as of the Effective
21 Date;

22 **B. Cash Payment.** On the Effective Date, the Liquidating Trustee (with the
23 consent of the Lehman Lenders to the extent that payment would require utilization of Cash
24 Collateral of any of the Lehman Creditors, which consent may be granted or denied in their sole
25 discretion) will pay, to the Holder of such Allowed Secured Mechanic's Lien Claim in Classes 5.1
26 through 5.57, Cash equal to the amount of such Allowed Secured Mechanic's Lien Claim in
27 Classes 5.1 through 5.57, or such lesser amount as to which the Holder of such Allowed Secured
28

Mechanic's Lien Claim in Classes 5.1 through 5.57, the Liquidating Trustee and the Lehman Lenders agree; or

C. Unimpairment. (i) As of the Effective Date, the Holder of such Allowed Secured Mechanic's Lien Claim in Classes 5.1 through 5.57 shall have left unaltered its legal, equitable and contractual rights as a Holder of such Allowed Secured Mechanic's Lien Claim in Classes 5.1 through 5.57 and shall be free to pursue its rights and remedies against the underlying collateral under applicable nonbankruptcy law; and (ii) the Liquidating Trustee shall File with the Bankruptcy Court and serve on the Holder of each Allowed Secured Mechanic's Lien Claim in Classes 5.1 through 5.57 for which this treatment was selected, notice of the selection of this alternative treatment for such Holder.

5.6 Treatment of Allowed Priority Claims (Classes 6.1 Through 6.4).

The treatment of any Allowed Priority Claims in Classes 6.1 through 6.4 under the Lehman Plan shall be as follows:

(a) Classes 6.1 through 6.4 are unimpaired under the Plan, and each Holder of an Allowed Priority Claim is not entitled to vote on the Plan.

(b) Each Holder of an Allowed Priority Claim shall be paid (i) the full amount of such Allowed Priority Claim in Cash on the later of (x) the Effective Date, (y) the date such Claim becomes an Allowed Priority Claim or (z) the date such Allowed Priority Claim becomes payable in accordance with the terms governing such Allowed Priority Claim, or (ii) upon such other less favorable terms as may be agreed to by such Holder of the Allowed Priority Claim and the Liquidating Trustee.

5.7 Treatment of Allowed General Unsecured Claims (Classes 7.1 Through 7.24).

The treatment of any Allowed General Unsecured Claims in Classes 7.1 through 7.24 under the Lehman Plan shall be as follows:

(a) Classes 7.1 through 7.24 are impaired under the Plan, and each Holder of an Allowed General Unsecured Claim is entitled to vote on the Plan;

(b) As soon as reasonably practicable in the sole discretion of the Liquidating Trustee, the Liquidating Trustee shall distribute the Residual Cash (defined above) in each Estate Pro Rata

1 to the Holders of Allowed General Unsecured Claims in Classes 7.1 through 7.24, as applicable,
2 and Allowed ES Claims in Classes 8.1 through 8.19, as applicable;

3 (c) Upon Conclusion of the ES Action, if the Credit Bid Conditions are satisfied, the
4 Guaranteed Minimum Distribution will be calculated (*i.e.*, \$10 million less the amount of any ES
5 Final Judgments and less the amount –which cannot exceed \$5 million – that is one-third of the
6 aggregate ES Pro Rata Settlement Payments) and, thereafter, the Liquidating Trustee shall
7 distribute the Guaranteed Minimum Distribution Pro Rata to those Holders of Allowed General
8 Unsecured Claims (other than those in Class 7.12 – Allowed General Unsecured Claims against
9 SunCal Century City) and Allowed Non-Settled ES Claims who provide the Lehman Lenders a
10 duly executed Minimum Distribution Release and Assignment. The Lehman Lenders (and each
11 Lehman Successor, unless it timely objects to Plan Confirmation) will not share in the Guaranteed
12 Minimum Distribution, all as more fully set forth in Plan Section 7.3. If payment of the distribution
13 in accordance with this paragraph with respect to a Claim otherwise would result or contribute to
14 such Claim being paid in excess of the full amount of the Claim, any such excess shall be
15 redistributed Pro Rata to other Holders of Claims entitled to distributions in accordance with this
16 paragraph.

17 The treatment provided in the Lehman Plan for Claims in Classes 7.1 through 7.24 does not
18 take into account and shall not affect any subordination or other intercreditor remedies afforded by
19 any ES Final Judgment, contract, other judgment or other binding determination.

20 **5.8 Treatment of Allowed ES Claims (Classes 8.1 through 8.19).**

21 The treatment of any Allowed ES Claims in Classes 8.1 through 8.19 under the Lehman
22 Plan shall be as follows:

23 (a) Classes 8.1 through 8.19 are impaired under the Plan, and each Holder of an
24 Allowed ES Claim is entitled to vote on the Plan;

25 (b) As soon as reasonably practicable in the sole discretion of the Liquidating Trustee,
26 the Liquidating Trustee shall distribute the Residual Cash in each Estate Pro Rata to the Holders of
27 Allowed General Unsecured Claims in Classes 7.1 through 7.24, as applicable, and Allowed ES
28 Claims in Classes 8.1 through 8.19, as applicable (subject to the terms of any ES Claimant Release

1 and Assignment and any Minimum Distribution Release and Assignment with respect to Claims
2 against a Lehman Releasee);

3 (c) Each Holder of an Allowed ES Claim also shall receive either:

4 (i) if the Holder of an Allowed ES Claim votes to accept the ES Settlement
5 Offer (or if there is Estate Acceptance of the ES Settlement for the Estate against which the
6 Allowed ES Claim is asserted) and the Holder returns with its Ballot or to the Lehman Lenders a
7 duly executed ES Claimant Release and Assignment, an ES Pro Rata Settlement Payment to be
8 paid as soon as reasonably practicable after the later of: (1) the Effective Date; and (2) final
9 allowance of such Allowed ES Claim; or

10 (ii) if the Holder of an Allowed ES Claim does not vote to accept the ES
11 Settlement Offer (and there is not Estate Acceptance of the ES Settlement for the Estate against
12 which the Allowed ES Claim is asserted):

13 (1) the benefits, if any, of the Equitable Subordination Claims as determined
14 by the Bankruptcy Court in connection with the ES Action, upon Conclusion of the Equitable
15 Subordination Claims in the ES Action against the applicable Lehman Related Parties, if any, such
16 that (A) the Liquidating Trustee, in satisfaction of an ES Final Judgment and to the extent
17 consistent therewith (I) shall distribute to the applicable Estate available Cash from the Plan
18 Reserve, other than amounts reserved for the Guaranteed Minimum Distribution and (II) shall
19 liquidate and distribute to the applicable Estate Net Cash Proceeds from the PRA Recovery
20 Security Pool and from the liquidation of any non-Cash Net Proceeds from the sale of collateral of
21 the Holders of Lehman Secured Claims or the sale of any PRA Security Project (which
22 distributions described in this subparagraph, collectively, are the exclusive sources of satisfaction
23 of an ES Judgment absent a voluntary payment by a Lehman Related Party in accordance with
24 Article VII of the Plan); and (B) the Liquidating Trustee shall pay such Cash in accordance with the
25 priorities set forth in this Plan (*see* Plan Sections 7.11.2(a) and 7.11.2(d)); and

26 (2) Upon Conclusion of the ES Action, if the Credit Bid Conditions are
27 satisfied, the Guaranteed Minimum Distribution will be calculated (*i.e.*, \$10 million less the amount
28 of any ES Final Judgments and less the amount –which cannot exceed \$5 million – that is one-third

of the aggregate ES Pro Rata Settlement Payments) and, thereafter, the Liquidating Trustee shall distribute the Guaranteed Minimum Distribution Pro Rata to those holders of Allowed General Unsecured Claims (other than those in Class 7.12 – Allowed General Unsecured Claims against SunCal Century City) and Allowed Non-Settled ES Claims who provide the Lehman Lenders a duly executed Minimum Distribution Release and Assignment. The Lehman Lenders (and each Lehman Successor, unless it timely objects to Plan Confirmation) will not share in the Guaranteed Minimum Distribution, all as more fully set forth in Plan Section 7.3. If payment of the distribution in accordance with this paragraph with respect to a Claim otherwise would result or contribute to such Claim being paid in excess of the full amount of the Claim, any such excess shall be redistributed Pro Rata to other Holders of Claims entitled to distributions in accordance with this paragraph.

5.9 Treatment of Allowed Interests
(Classes 9.1 through 9.24)

The treatment of any Allowed Interests in Classes 9.1 through 9.24 under the Lehman Plan shall be as follows:

(a) Classes 9.1 through 9.24 are impaired under the Plan, and each Holder of an Allowed Interest is deemed to reject the Plan and is not entitled to vote; and

(b) On the Effective Date, all such Allowed Interests shall be cancelled.

VI.

ACCEPTANCE OR REJECTION OF THE PLAN

6.1 Introduction.

PERSONS OR ENTITIES CONCERNED WITH CONFIRMATION OF THE PLAN SHOULD CONSULT WITH THEIR OWN ATTORNEYS BECAUSE THE LAW ON CONFIRMING A PLAN OF REORGANIZATION IS VERY COMPLEX. The following discussion is intended solely for the purpose of alerting readers about basic confirmation issues, which they may wish to consider, as well as certain deadlines for filing Claims. The Lehman Proponents cannot represent that the discussion contained below is a complete summary of the law on this topic.

Many requirements must be met before the Bankruptcy Court can confirm the Lehman Plan. Some of the requirements include that the Lehman Plan must (a) be proposed in good faith, (b) be accepted in accordance with the provisions of the Bankruptcy Code, (c) pay creditors at least as much as creditors would receive in a Chapter 7 liquidation and (d) be feasible. The requirements described in the Lehman Plan are not the only requirements for confirmation.

6.2 Who May Object to Confirmation of the Lehman Plan.

Any party in interest may object to the confirmation of the Lehman Plan but, as explained below, not everyone is entitled to vote to accept or reject the Lehman Plan.

6.3 Who May Vote to Accept/Reject the Lehman Plan and Special Provisions for Listed Holders of Mechanic's Lien Claims and for Holders of ES Claims or General Unsecured Claims.

A Holder of a Claim or Interest has a right to vote for or against the Lehman Plan if that Holder of the Claim or Interest has a Claim which is both (1) Allowed or Allowed for voting purposes and (2) Classified in an impaired Class.

Because Classes 5.1 through 5.57 are unimpaired, any Holders of Allowed Mechanic's Lien Claims are deemed to accept the Plan. The Lehman Proponents, however, dispute the "secured" status of all, many or most of the Claims classified in Classes 5.1 to 5.57 because they believe that there are senior Liens of Lehman Creditors and no value in the junior Liens of the Holders of Mechanic's Lien Claims. Thus, each listed Holder of a Mechanic's Lien Claim will be provided a Ballot on which such Holder may elect to vote its Claims as a General Unsecured Claim or an ES Claim, as applicable, in which event the Holder will have to waive contentions that its interest in the collateral securing its Claim has any value and thus will have to waive contentions that it holds a Secured Claim against the applicable Project.

To vote any Claim as an ES Claim (Class 8), a Creditor must mark its Ballot to indicate that it holds an ES Claim. A Creditor voting a Claim as an ES Claim (Class 8) may vote for (or against) the Plan whether or not it votes to accept the ES Settlement Offer.

6.4 What Is an Allowed Claim/Interest.

As noted above, a Holder of Claim or Interest must first have an Allowed Claim or Allowed

Interest to vote.

6.5 What Is an Impaired Class.

A Class is impaired if the Lehman Plan alters the legal, equitable, or contractual rights of the Claims or Interests in that Class, other than the right to accelerate the Claim upon certain kinds of defaults. Under the Lehman Plan, Classes 1, 4, 5 and 6 are unimpaired and Classes 2, 3, 7, 8 and 9 are impaired.

6.6 Who Is Not Entitled to Vote.

The following four types of Claims are not entitled to vote: (1) Claims that have been disallowed; (2) Claims in unimpaired Classes; (3) Claims that, pursuant to Bankruptcy Code Sections 507(a)(2), (a)(3) or (a)(8), are entitled to priority, and (4) Claims in Classes that do not receive or retain any value under the Plan. Claims in unimpaired Classes are not entitled to vote because such Classes are deemed to have accepted the Plan. Claims entitled to priority pursuant to Bankruptcy Code Section 507(a)(2), (3) or (8) are not entitled to vote because such Claims are not placed in Classes and they are required to receive certain treatment specified by the Bankruptcy Code. Claims in Classes that do not receive or retain any property under the Plan do not vote because such Classes are deemed to have rejected the Plan. The Lehman Proponents believe that (a) Classes 1, 4, 5 and 6 are unimpaired and thus are not entitled to vote because they are conclusively deemed to have accepted the Plan; (b) Class 9 Interests are being cancelled under the Plan and nothing is to be paid to their Holders and accordingly these Holders are deemed to have voted to reject the Plan and also are not entitled to vote; and (c) Classes 2, 3, 7 and 8 are impaired and are entitled to vote.

EVEN IF A CLAIM IS OF THE TYPE DESCRIBED ABOVE, A CREDITOR MAY STILL HAVE A RIGHT TO OBJECT TO THE CONFIRMATION OF THE PLAN.

6.7 Who Can Vote in More than One Class.

A creditor whose Claim has been Allowed in part as a Secured Claim and in part as an Unsecured Claim is entitled to accept or reject a Plan in both capacities by casting one Ballot for the secured part of the Claim and another Ballot for the Unsecured Claim. Also, a Creditor may otherwise hold Claims in more than one Class (such as a Holder of General Unsecured Claims and

ES Claims), and may vote the Claims held in each Class.

6.8 Votes Necessary for a Class to Accept the Lehman Plan.

A Class of Claims is deemed to have accepted the Lehman Plan when more than one-half (1/2) in number and at least two-thirds (2/3) in dollar amount of the Claims *that actually voted*, vote to accept the Lehman Plan. A Class of interests is deemed to have accepted the Lehman Plan when Holders of at least two-thirds (2/3) in amount of the interest-Holders of such Class which actually vote, vote to accept the Lehman Plan.

6.9 Treatment of Nonaccepting Classes.

As noted above, even if there are impaired Classes that do not accept the proposed Plan, the Court may nonetheless confirm the Lehman Plan if the non-accepting Classes are treated in the manner required by the Bankruptcy Code and at least one impaired Class of Claims accepts the Lehman Plan. The process by which a plan may be confirmed and become binding on non-accepting Classes is commonly referred to as “cramdown.” The Bankruptcy Code allows the Lehman Plan to be “crammed down” on non-accepting Classes of Claims or Interests if it meets all statutory requirements except the voting requirements of 1129(a)(8) and if the Lehman Plan does not “discriminate unfairly” and is “fair and equitable” with respect to each impaired Class that has not voted to accept the Lehman Plan, as set forth in 11 U.S.C. § 1129(b) and applicable case law.

6.10 Request for Confirmation Despite Nonacceptance by Impaired Class(es).

The Lehman Proponents will ask the Bankruptcy Court to confirm the Lehman Plan by cramdown on any impaired Class if such Class does not vote to accept the Lehman Plan.

VII.

MEANS OF EXECUTION AND IMPLEMENTATION OF THE PLAN

7.1 Introduction.

This section is intended to address how the Lehman Proponents intend to fund and to have implemented the obligations to Creditors under the Lehman Plan. It thus provides information regarding funding sources and mechanisms for the Plan obligations, management of the Plan Debtors’ Estates after the Effective Date and other material issues bearing upon the performance of the Lehman Plan.

7.2 The Liquidating Trustee.

The Estate of each Plan Debtor shall be managed after the Effective Date by the Liquidating Trustee, who, except as otherwise provided in the Lehman Plan, shall oversee and effectuate the liquidation of the Remaining Other Assets, oversee and effectuate the sale and transfer or other disposition or liquidation of the Remaining Real Estate Projects and implement the Plan. The Liquidating Trustee shall be appointed by the Court upon nomination, if any, by a Committee and, in his or her capacity as such, shall be an agent of each Estate and not a separate taxable entity therefrom. Compensation of the Liquidating Trustee shall be reasonable hourly compensation payable from the Plan Debtors' Estates after prior notice to, *inter alia*, the Lehman Lenders, Committee members, and U.S. Trustee and after order of the Bankruptcy Court. The Bankruptcy Court may, by order, replace the Liquidating Trustee in its reasonable discretion. After the Effective Date, the Liquidating Trustee, *inter alia*, will cooperate in granting, perfecting or reflecting perfection of any Liens acknowledged or created or provided for under the Plan, will complete the claims process, will resolve or abandon any objections to Claims, will liquidate and/or distribute assets and will resolve or dismiss any Litigation Claims which are not waived in the Plan, all in accordance with the Plan.

7.3 The Guaranteed Minimum Distribution Will be Held in the Plan Reserve to Assure a Minimum Amount for Creditors without Security or Priority.

On the Effective Date, the Lehman Lenders will pay the Liquidating Trustee \$10 million from new Cash transfers (rather than from existing Cash Collateral) to be held in the Plan Reserve for the Guaranteed Minimum Distribution. Upon Conclusion of the ES Action, if the Credit Bid Conditions are satisfied, the Guaranteed Minimum Distribution will be calculated (*i.e.*, \$10 million less the amount of any ES Final Judgments and less the amount –which cannot exceed \$5 million – that is one-third of the aggregate ES Pro Rata Settlement Payments). Thereafter, the Liquidating Trustee shall distribute the Guaranteed Minimum Distribution Pro Rata to those holders of Allowed General Unsecured Claims and Allowed Non-Settled ES Claims who provide the Lehman Proponents a duly executed Minimum Distribution Release and Assignment. The Lehman Lenders (and each Lehman Successor, unless it timely objects to Plan Confirmation) will not share in the

Guaranteed Minimum Distribution.

As and to the extent reflected in the definition of “Guaranteed Minimum Distribution,” the payment of ES Pro Rata Settlement Payments and entry of an ES Final Judgment each result in a reduction in the Guaranteed Minimum Distribution. Simultaneously with the payment of any ES Pro Rata Settlement Payments, the Liquidating Trustee shall return to the Lehman Lenders or their designee from the Plan Reserve one-third ($1/3^{\text{rd}}$) of the amount of such ES Pro Rata Settlement Payments (not to exceed the remaining amount on reserve for the Guaranteed Minimum Distribution). Additionally, upon entry of each and any ES Final Judgment (each or any of which, under the Plan, are secured by the PRA Recovery Security Pool), one hundred percent (100%) of the amount of such ES Final Judgment (not to exceed the remaining amount on reserve for the Guaranteed Minimum Distribution), at the election of the Lehman Lenders, either shall: (1) be applied by the Liquidating Trustee to such ES Final Judgment or (2) be returned from the Plan Reserve by the Liquidating Trustee to the Lehman Lenders or their designee.

As to the process for obtaining delivery of ES Claimant Releases and Assignments, the Liquidating Trustee shall be entitled to utilize the following procedure, which the Liquidating Trustee may modify with the consent of the Lehman Lenders, which they may grant or withhold in their sole and absolute discretion:

(1) within sixty (60) days after (x) Conclusion of the ES Action, if there are no ES Final Judgments or (y) collection and/or enforcement with respect to all ES Final Judgments is completed, if there are any ES Final Judgments, the Liquidating Trustee shall afford notice to Creditors potentially entitled to a Pro Rata distribution of the Guaranteed Minimum Distribution that they have sixty (60) days to return to the Liquidating Trustee a duly executed Minimum Distribution Release and Assignment;

(2) within ten (10) days after expiration of the time for Creditors to return to the Liquidating Trustee a duly executed Minimum Distribution Release and Assignment, the Liquidating Trustee shall deliver to the appropriate Lehman Creditor, or as they direct, the original of each such Minimum Distribution Release and Assignment;

(3) within ten (10) days after the time for delivery to the

1 Lehman Creditors of each original, returned Minimum Distribution Release and Assignment, the
2 Lehman Creditors shall advise the Liquidating Trustee of any issues with respect to the form or
3 propriety of the execution or delivery of any such Minimum Distribution Release and Assignment;

4 (4) within ten (10) days after expiration of the time for
5 objection to the execution or delivery of any returned Minimum Distribution Release and
6 Assignment, the Liquidating Trustee shall:

7 (I) allocate the Guaranteed Minimum Distribution
8 Pro Rata among each Holder of an Allowed Non-Settled ES Claim and Allowed General
9 Unsecured Claim; and

10 (II) pay to each Holder of an Allowed Non-Settled
11 ES Claim and Allowed General Unsecured Claim who timely returned a duly executed Minimum
12 Distribution Release and Assignment their aliquot share of the Guaranteed Minimum Distribution;
13 and

14 (III) simultaneously with payment to each Holder of
15 an Allowed Non-Settled ES Claim and Allowed General Unsecured Claim who returned a duly
16 executed Minimum Distribution Release and Assignment of its aliquot share of the Guaranteed
17 Minimum Distribution, pay to the applicable Lehman Creditors, or as they direct, the aliquot shares
18 of the Guaranteed Minimum Distribution which otherwise would have been payable to the Holders
19 of Allowed Non-Settled ES Claims and Allowed General Unsecured Claims who failed to timely
20 return a Minimum Distribution Release and Assignment.

21 In exchange for the commitment of the Lehman Lenders under the Lehman Plan to make
22 available funding for the Guaranteed Minimum Distribution from new Cash transfers to the
23 Liquidating Trustee on the Effective Date, each Non-Settling ES Claimant holding an Allowed ES
24 Claim and each Holder of an Allowed General Unsecured Claim desiring to share in the
25 Guaranteed Minimum Distribution shall (a) unconditionally, irrevocably and generally release,
26 acquit and forever discharge, waive and relinquish any and all causes of action, actions, rights of
27 action, suits, judgments, liens, indebtedness, damages, losses, claims, liabilities, obligations,
28 attorneys' fees, costs, expenses and demands of every kind and character, whether known or

1 unknown, suspected or unsuspected, disclosed or undisclosed, including without limitation any
2 Litigation Claims, whether for damages, subordination or other remedies, and including any and
3 any objections or defenses to Lehman Related Party's Claims, Liens, rights, or causes of action, to
4 the extent related to the Claims of the releasing Person or these Cases, Debtors or their Projects or
5 to the extent that the Net Cash Litigation Recoveries therefrom would be payable in respect of the
6 Claims of such releasing Person (collectively, the "Minimum Distribution Released Claims"), from
7 and against all Lehman Releasees and all and any owners of the applicable Project(s) (that were at
8 any time owned by the Plan Debtor of the Estate against which the applicable Allowed ES Claim or
9 Allowed General Unsecured Claim is asserted), including the Lehman Nominees, which owners are
10 or were successors or assigns of the applicable Debtor, or any of them, and their subsidiaries and
11 their respective officers, directors, employees, agents, predecessors, successors, assigns,
12 representatives, attorneys and other professionals, or their properties, and (b) to the extent such
13 Minimum Distribution Released Claims are owned by the Estate of a Plan Debtor and cannot be
14 released by the releasing Person, assign to the applicable Lehman Lender (or if multiple applicable
15 Lehman Lenders, the Lehman Lender holding the most senior Lien against the applicable Estate's
16 Project), all rights, benefits and interests of the releasing Person with respect to such Minimum
17 Distribution Released Claims, including the Litigation Recoveries that otherwise would be due
18 therefrom to, or attributable to the Claims of, the releasing Person.

19 The releases given above include an express, informed, knowing and voluntary waiver and
20 relinquishment to the fullest extent permitted by law of rights under Section 1542 of the California
21 Civil Code, which reads as follows, and under any similar or comparable laws anywhere in the
22 world:

23 A general release does not extend to claims which the creditor does not know or suspect to
24 exist in his favor at the time of executing the release, which if known by him must have materially
25 affected his settlement with the debtor.

26 While the Confirmation Order, without more, shall effectuate the release, waiver and
27 relinquishment described or referenced in this section for the Lehman Releasees and all successor
28 owners of the specified Projects, in accordance herewith, the Lehman Releasees also shall be

1 entitled to the issuance of a separate written release, waiver and relinquishment by the releasing
2 Person in a form determined by the Lehman Lenders and reasonably consistent herewith.

3 **7.4 Vesting of Assets in Plan Debtors' Estates Managed by Liquidating Trustee.**

4 Except as otherwise provided in the Lehman Plan or any agreement, instrument or other
5 document relating to the Lehman Plan, on and after the Effective Date, all property of each Plan
6 Debtor's Estate shall vest in each respective Estate, free and clear of all Liens. Except as may be
7 provided in the Lehman Plan, on and after the Effective Date, the Liquidating Trustee may operate
8 the business of each Estate and may use, acquire or dispose of property and compromise or settle
9 any Claims or Interests without supervision or approval by the Bankruptcy Court and free of any
10 restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly
11 imposed by the Plan and the Confirmation Order. On motion to the Bankruptcy Court and consent
12 of the Lehman Lenders, the Liquidating Trustee may elect hereafter to abandon to the Plan Debtors
13 Assets of inconsequential value.

14 **7.5 The Committee(s).**

15 On the Effective Date, the Voluntary Debtors' Committee and the Trustee Debtors'
16 Committee shall continue to serve the applicable Estates of the Plan Debtors and shall be entitled to
17 retain, employ and compensate Professionals in order to assist with the obligations and rights of the
18 Committees under the terms of the Lehman Plan (with compensation to be paid by the Liquidating
19 Trustee from the Post-Confirmation Account(s)), provided that the duties of the Committee(s) after
20 the Effective Date shall be limited to monitoring the Plan's implementation. The Liquidating
21 Trustee shall reimburse members of the Committee without further Court Order required for their
22 reasonable out-of-pocket expenses incurred after the Effective Date for mileage, parking, or other
23 incidentals incurred in performing their duties as members of the Committee.

24 **7.6 Lehman Post-Confirmation Funding.**

25 **7.6.1 Amount and Uses of Lehman Post-Confirmation Funding.**

26 On and after the Effective Date, the Lehman Lenders, or certain of them as described in the
27 Lehman Plan, will make funding available to the Liquidating Trustee, in addition to the \$10 million
28 for the reserve for the Guaranteed Minimum Distribution, from either (or both) loans made by or on

1 behalf of a Lehman Related Party (of up to a maximum of \$5 million) in the form of new Cash
2 transfers or by permitting the use of Cash Collateral of a Lehman Creditor, including, without
3 limitation, all or a portion of the Ritter Cash (estimated to be at least \$18.87 million), for the
4 following purposes and in the following amounts, provided that the proceeds of Lehman Post-
5 Confirmation Funding may not be utilized to pay any Lehman Post-Confirmation Expenses:

6 (a) Allowed Professional Fees of the insolvency counsels for the Trustee and the
7 Committees, provided that Available Cash from the Post-Confirmation Account(s) has been
8 exhausted (and with any such use of Cash of one Plan Debtor's Estate for another booked as a Post-
9 Confirmation Date intercompany payable by the borrowing Plan Debtor's Estate);

10 (b) Satisfaction of Allowed Priority Claims , provided that Available Cash from the
11 Post-Confirmation Account(s) has been exhausted (and applied as set forth in clause (a) of this
12 Section);

13 (c) Funding for or relating to the ES Litigation Expenses solely from proceeds from the
14 ES Litigation Loan;

15 (d) All amounts required to address critical and urgent health and safety issues on the
16 Projects (other than 10000 Santa Monica Project) until the expiration of the earlier of (i) the date
17 that such Project is no longer an Asset belonging to an Estate of a Plan Debtor, or (ii) thirty (30)
18 days following the auction of such Project to occur pursuant to the Lehman Plan Sale Procedures,
19 up to the aggregate amount of \$400,000 or such other amount as approved by the Bankruptcy Court
20 on notice (including to the Lehman Lenders) and opportunity to object, provided that Available
21 Cash from the Post-Confirmation Account(s) has been exhausted (and applied as set forth in clause
22 (a) of this Section);

23 (e) Satisfaction of the Lehman Administrative Loans (provided that (i) Available Cash
24 from the Post-Confirmation Account(s) has been exhausted (and applied as set forth in clause (a) of
25 this Section), and (ii) the Lehman Lenders may elect prior to receipt of payment thereupon to defer
26 receipt thereof and be paid otherwise as provided in the Lehman Plan for such Lehman
27 Administrative Loans);

28 (f) Obligations with respect to the Remaining Real Estate Projects while owned by the

1 Estates that are Administrative Claims or arise after the Confirmation Date, to the extent requested
2 by the Lehman Lenders holding or representing the Holder of an interest in the subject Project and
3 in their sole and absolute discretion, including any property taxes, assessments, liabilities,
4 obligations, claims or payables that would be superior to the interest of any Lehman Creditor
5 holding a Secured Claim in any Remaining Real Estate Project, provided that Available Cash from
6 the Post-Confirmation Account(s) has been exhausted (and applied as set forth in clause (a) of this
7 Section), which obligations are to be paid by the Liquidating Trustee if so directed by the Lehman
8 Lenders;

9 (g) Obligations with respect to the PRA Security Projects that are part of the PRA
10 Recovery Security Pool and therefore serve as collateral for a Project Related Action Recovery to
11 the extent requested by the Lehman Lenders or Lehman Nominee holding an interest in the subject
12 Project and in their sole and absolute discretion, including any property taxes, assessments,
13 liabilities, obligations, claims or payables that would be superior to the interest of any Lehman
14 Creditor holding a Secured Claim in any Remaining Real Estate Project, which obligations are to
15 be paid by the Liquidating Trustee if so directed by the Lehman Lenders; provided, however, that
16 repayment of Lehman Post-Confirmation Funding made for a purpose set forth in this subparagraph
17 shall be limited in recourse to an offset against any ES Judgment; and

18 (h) To the extent that the Liquidating Trustee is unable to otherwise fund them, all
19 additional obligations of the Liquidating Trustee (in such capacity) that arise on or after the
20 Effective Date to the extent that both their incurrence is necessary for implementation of the
21 Lehman Plan and they become due and payable in Cash during the term of the Lehman Post-
22 Confirmation Funding other than and excluding those obligations covered in any portion by
23 insurance or for which obtaining insurance would have been reasonable, appropriate and
24 customary, provided that Available Cash from the Post-Confirmation Account(s) has been
25 exhausted (and applied as set forth in clause (a) of this Section).

26 **7.6.2 Cash Collateral of a Lehman Creditor.**

27 Cash Collateral of Lehman Creditors shall be available as funding (i) to the Liquidating
28 Trustee and Plan Debtors' Estates as and to the extent set forth in the preceding numbered Section

1 of the Plan and (ii) for payment of the ES Pro Rata Settlement Payments. At any time, the
2 Liquidating Trustee, as directed by a Lehman Lender, shall use Cash Collateral of the Lehman
3 Creditors to repay Lehman Post-Confirmation Funding that was made other than from the use of
4 Cash Collateral.

5 Also, upon disposition of collateral of a Lehman Creditor or of a PRA Security Project that
6 results in proceeds being deposited to the Plan Reserve, or upon turnover of Cash Collateral to the
7 Plan Reserve, a Lien in favor of the applicable Lehman Creditor shall attach to (or remain upon)
8 such proceeds and/or Cash Collateral held in the Plan Reserve, subject to a Conclusion of the
9 Project Related Actions.

10 Further, at the election of a Lehman Lender and to facilitate its extension of credit under the
11 Plan, as to any payment that could be made with funds comprising Cash Collateral of a Lehman
12 Creditor, the Lehman Lender may direct the Liquidating Trustee to instead use Lehman Post-
13 Confirmation Funding in the form of a loan from new Cash from a Lehman Lender and to pay a
14 like amount of Cash Collateral securing a Lehman Loan towards a reduction of such Lehman Loan,
15 as the Lehman Lender directs, provided, however, that (a) such use of Cash Collateral shall not
16 itself be Lehman Post-Confirmation Funding and, if such use occurs before maturity of the Lehman
17 Post-Confirmation Funding, the \$5 million maximum Cash commitment of the Lehman Lenders
18 with respect to the Lehman Post-Confirmation Funding shall increase by the amount of Cash
19 Collateral so used to pay a Lehman Loan; and (b) repayment of any amount of a loan constituting
20 Lehman Post-Confirmation Funding used to substitute for Cash Collateral paid with respect to a
21 Lehman Loan under this paragraph shall be treated as a repayment or replenishment of Cash
22 Collateral in accordance with the following Plan Section 7.6.3.

23 **7.6.3 Terms and Documentation of Lehman Post-Confirmation Funding.**

24 The Liquidating Trustee shall reasonably execute all documents reasonably requested by a
25 Lehman Lender to evidence a loan or use of Cash Collateral constituting Lehman Post-
26 Confirmation Funding and to evidence any Liens securing the loans or replacement Liens for the
27 use of Cash Collateral on terms and in a form reasonably requested by such Lehman Lender, with
28 customary and reasonable provisions for interest, fees and expenses thereupon. Loans constituting

1 Lehman Post-Confirmation Funding are Allowed in the amount provided to the Liquidating Trustee
2 or for the benefit of an Estate by or on behalf of any Lehman Lender with respect thereto plus
3 interest, fees, expenses and other charges as provided in the Lehman Plan and in the documentation
4 thereof.

5 The Liquidating Trustee shall repay the Lehman Post-Confirmation Funding from the
6 sources and in the priority otherwise set forth in this Plan. (See Plan Section 7.11.2). Such
7 repayments first shall be applied to repay any loans constituting Lehman Post-Confirmation
8 Funding and all amounts owed with respect thereto. Thereafter, such repayments shall be used to
9 replenish the Cash Collateral constituting Lehman Post-Confirmation Funding. These obligations
10 of the Liquidating Trustee to repay the Lehman Post-Confirmation Funding shall be secured by a
11 self-effectuating, first priority Lien and/or replacement Lien on the Post-Confirmation Accounts,
12 Plan Reserve and all proceeds of the Plan Debtors' Assets.

13 In all events, no later than sixty (60) days following the settlement and/or final
14 determination of the Project Related Actions, the obligation of the Lehman Lenders to provide the
15 Lehman Post-Confirmation Funding shall terminate, the Lehman Post-Confirmation Funding shall
16 mature and the Liquidating Trustee shall pay the loans and all amounts owing with respect thereto
17 and replenish the used Cash Collateral constituting Lehman Post-Confirmation Funding in full.

18 Because the Lehman Creditors' Claims all are undersecured, permitting use of Cash
19 Collateral for Lehman Post-Confirmation Funding, in effect, is a voluntary subordination of the
20 Lehman Lenders' Claims to the extent of such use of Cash Collateral, at least absent any obligation
21 to replenish the used Cash Collateral. Thus, to the extent that any applicable Lehman Creditor's
22 Claim that was secured by a Lien upon Cash Collateral used hereunder as Lehman Post-
23 Confirmation Funding is hereafter subordinated by an ES Final Judgment, such ES Final Judgment
24 shall be offset, dollar for dollar, by the amount of any such used Cash Collateral constituting
25 Lehman Post-Confirmation Funding and the obligation of the Estates to replenish such Cash
26 Collateral instead shall become an obligation to pay such amounts to the Plan Reserve as ES
27 Litigation Proceeds for the Creditors and Estates benefitted by such ES Final Judgment in
28 accordance therewith and such funds, when available, shall be distributed as ES Litigation Proceeds

1 in accordance with the priorities established by this Plan (*see* Plan Section 7.11.2).

2 **7.7 Plan Reserve and Post-Confirmation Accounts.**

3 In order to, among other things, provide for a source of recovery in respect of Non-Settled
4 ES Claims should an ES Judgment be obtained for the benefit of the Holders of such Non-Settled
5 ES Claims, and in respect of the applicable Estates and their Creditors should a Cross-
6 Collateralization Judgment be obtained for the benefit of such Creditors, the Lehman Lenders are
7 making available Cash on which the Lehman Creditors claim a Lien. Specifically, (a) on the
8 Effective Date, all Cash of the Estates of the Plan Debtors not otherwise distributed in accordance
9 with the Plan shall be held by the Liquidating Trustee either in the Plan Reserve or a Post-
10 Confirmation Account pending payment of any Post-Confirmation Expenses or distribution in
11 accordance with the Plan, (b) on and after the Effective Date, all Cash Collateral of the Lehman
12 Creditors shall be deposited by the Liquidating Trustee into the Plan Reserve, pending distribution
13 or payment in accordance with the Plan, (c) on the Effective Date, the Lehman Proponents shall
14 cause \$10 million to be paid to the Liquidating Trustee from new Cash transfers (rather than from
15 existing Cash Collateral) to be held in the Plan Reserve as a reserve for the Guaranteed Minimum
16 Distribution, (d) all new Cash transfers from or on behalf of a Lehman Lender that are proceeds of
17 or comprising a loan constituting Lehman Post-Confirmation Funding shall be deposited in or held
18 in the Plan Reserve until utilized in accordance with the Lehman Plan, and (e) on and after the
19 Effective Date, the Lehman Lenders shall have a Lien and/or retain their Lien on all Cash in the
20 Plan Reserve, which Cash also shall serve, among other things, as a reserve for satisfaction of a
21 Project Related Action Recovery and shall be a component of the PRA Recovery Security Pool.
22 The applicable Lehman Creditor shall report the Cash Collateral, while held in the Plan Reserve, as
23 being owned by it for all applicable federal, state and local income tax purposes. To enable the
24 applicable Lehman Creditor to pay its applicable federal, state and local income tax with respect to
25 amounts in the Plan Reserve, the Liquidating Trustee shall distribute to the applicable Lehman
26 Creditor, or cause to be distributed, forty five percent (45%) of all income and gain earned with
27 respect to amounts in the Plan Reserve no less than annually and prior to any such amounts being
28 otherwise distributed pursuant to the Plan.

7.8 Disposition of Assets

The Assets of the Estates of the Plan Debtors consist primarily of certain Remaining Real Estate Projects and certain Cash that is Cash Collateral for Lehman Secured Claims. There also may be certain Remaining Other Assets, including Litigation Claims. (Litigation Claims possibly could result in affirmative recoveries for the Estates or possibly could reduce the size of the Creditor Claims to share in available Cash for distribution.)

7.8.1 Litigation Claims, Net Cash Litigation Recoveries and Remaining Other Assets.

The Remaining Other Assets (other than Cash) shall be liquidated by the Liquidating Trustee, and the Net Cash Proceeds therefrom shall be available for payment of Claims and Creditors in accordance with the Plan. Pursuant to Section 1123(b)(3) of the Bankruptcy Code and subject to the compromises, waivers and releases provided in the Lehman Plan, the Liquidating Trustee shall retain all Litigation Claims whether or not pending on the Effective Date. Unless a Litigation Claim is expressly waived, relinquished, released, compromised or settled in the Lehman Plan or in a Final Order, all rights with respect to such Litigation Claims are reserved and the Liquidating Trustee may pursue such Litigation Claims. The Liquidating Trustee shall not settle or abandon a Litigation Claim valued at greater than \$100,000 without a Lehman Lender's consent and absent providing ten (10) days' prior written notice and opportunity to object to the Committees; and the Lehman Lenders may pursue any Litigation Claim for the applicable Estate or Estates that, upon request, the Trustee does not agree to pursue. Any disputes concerning the settlement or abandonment of a Litigation Claim shall be submitted to the Bankruptcy Court for resolution on no less than ten (10) days' notice to the objecting party. All Net Cash Litigation Recoveries realized or obtained in respect of Litigation Claims of the Estates shall be promptly deposited into the Post-Confirmation Account(s) or Plan Reserve, as appropriate. Except as otherwise provided in the Lehman Plan and the Confirmation Order, the Net Cash Litigation Recoveries shall be free and clear of all Liens and shall only be expended in accordance with the provisions of the Lehman Plan.

7.9 Disposition of the Remaining Real Estate Projects.

The disposition of the Remaining Real Estate Projects or related Assets shall be as follows:

7.9.1 Lehman Plan Sale Procedures.

a. Upon the Effective Date, the Liquidating Trustee shall market for sale the Remaining Real Estate Projects and related Assets pursuant to the Lehman Plan.

b. Within sixty (60) days after the Effective Date, the Liquidating Trustee shall hold auctions on such dates and at such times and places as is reasonably established by the Liquidating Trustee, provided that all auctions shall occur no later than sixty (60) days after the Effective Date. At the auctions, the Remaining Real Estate Projects and related Assets for which there is a Successful Bidder shall be sold or conveyed to a third party purchaser, a Lehman Nominee, or another Holder of an Allowed Secured Claim who submits a qualifying bid and becomes the Successful Bidder in accordance herewith and pursuant to the further detailed procedures for such bidding and auctions, which detailed procedures shall be in a form acceptable to the Lehman Creditors and Liquidating Trustee or as reasonably proposed by the Lehman Lenders and approved by the Bankruptcy Court at or after the hearing on confirmation of the Plan, as may be modified after the Confirmation Date by agreement of the applicable Lehman Lenders or other owners and the Liquidating Trustee or approval of the Bankruptcy Court (the “Detailed Sale Procedures”).

c. Pursuant to Bankruptcy Code Section 1123(a) and the Lehman Plan, at the auction of each Remaining Real Estate Project, such Remaining Real Estate Project and all associated personal property, including the applicable Plan Debtor’s Estate’s right, title and interest in, to and under any development agreements, plans, engineering reports and community facilities district bonds, shall be sold by virtue of the Confirmation Order to the highest bidder or its nominee free and clear of any Encumbrances (other than the Permitted Liens) with such Encumbrances (other than the Permitted Liens) not paid in connection with the transaction to attach to the consideration to be received by the Liquidating Trustee in the same priority and subject to the same defenses and avoidability, if any, as before the closing of the transaction. The Liquidating Trustee shall obtain a hearing date from the Bankruptcy Court at which the Bankruptcy Court shall issue an

Order approving such sales or conveyances to the extent consistent herewith and order that such sale or conveyance shall be free and clear of all Encumbrances (other than Permitted Liens) in accordance herewith. Consistent with each particular bid, debts and obligations secured by existing Encumbrances on said Remaining Real Estate Projects or related property at the time of sale or conveyance either shall be paid in full upon such sale or conveyance, attach to the Net Cash Proceeds with the same validity, priority and extent to which they attach to the underlying collateral (such as would occur with respect to the Lehman Secured Claims upon a sale to a third party purchaser) or be unimpaired in which case the Remaining Real Estate Projects or other assets sold or conveyed shall remain encumbered by the Encumbrances thereon securing the unimpaired debts and obligations and such Encumbrances would be Permitted Liens.

d. Subject to the terms of the Lehman Plan, the respective Lehman Creditors commit to credit bid the following "Initial Bids" at the auctions as to the indicated Assets and may elect hereafter to make the following "Contingent Bids" at the auctions with respect to the indicated Assets as set forth in the following table:

LEHMAN CREDITORS' INITIAL BIDS AND CONTINGENT BIDS

<u>Initial Bid #; Cont. Bid Letter</u>	<u>Class / Plan §</u>	<u>Claims</u>	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number).</u>	<u>Asset</u>	<u>Bid</u>
1	Class 2.2	Allowed Claim of Lehman Commercial or its assignee or successor against SunCal Emerald arising from the SunCal Communities I Loan Agreement in the Allowed Amount of \$343,221,391.06 and as an Allowed Secured Claim in the amount of \$12 million plus Cash Collateral	SunCal Emerald; SunCal Emerald: 7	Emerald Meadows Project	Initial Bid: \$12 Million

<u>Initial Bid #; Cont. Bid Letter</u>	<u>Class / Plan §</u>	<u>Claims</u>	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number).</u>	<u>Asset</u>	<u>Bid</u>
2	Class 2.3	Allowed Claim of Lehman Commercial or its assignee or successor against SunCal Bickford arising from the SunCal Communities I Loan Agreement in the Allowed Amount of \$343,221,391.06 and as an Allowed Secured Claim in the amount of \$29.5 million plus Cash Collateral	SunCal Bickford; SunCal Bickford: 16	Bickford Ranch Project	Initial Bid: \$29.5 Million
3	Class 2.5	Allowed Claim of Lehman Commercial or its assignee or successor against Palmdale Hills arising form the Ritter Ranch Loan Agreement in the Allowed Amount of \$287,252,096.31 and as an Allowed Secured Claim in the amount of \$42.9 million plus Cash Collateral	Palmdale Hills; Palmdale Hills 65	Ritter Ranch Project	Initial Bid: \$42.9 Million
4	Class 2.9	Allowed Claim of Lehman ALI or its assignee or successor against SunCal Oak Knoll arising from the SunCal Oak Knoll/SunCal Torrance Loan Agreement in the Allowed Amount of \$158,141,364.64 and as an Allowed Secured Claim in the amount of \$48 million plus Cash Collateral	SunCal Oak Knoll; SunCal Oak Knoll: 12	Oak Knoll Project	Initial Bid: \$48 Million

<u>Initial Bid #; Cont. Bid Letter</u>	<u>Class / Plan §</u>	<u>Claims</u>	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number).</u>	<u>Asset</u>	<u>Bid</u>
5	Class 2.10	Allowed Claim of Lehman ALI or its assignee or successor against SunCal Torrance arising from the SunCal Oak Knoll/SunCal Torrance Agreement in the Allowed Amount of \$157,870,186.15 and as an Allowed Secured Claim in the amount of \$25 million plus Cash Collateral	SunCal Torrance; SunCal Torrance: 4	Del Amo Project	Initial Bid: \$25 Million
6	Class 2.11	Allowed Claim of Lehman ALI or its assignee or successor against Delta Coves arising from the Delta Coves Loan Agreement in the Allowed Amount of \$206,023,142.48 and as an Allowed Secured Claim in the amount of \$25.2 million plus Cash Collateral	Delta Coves; Delta Coves 21	Delta Coves Project	Initial Bid: \$25.2 Million
7	Class 2.13	Allowed Claim of Lehman ALI or its assignee or successor against SunCal Heartland arising from the SunCal Marblehead / SunCal Heartland Loan Agreement in the Allowed Amount of \$354,325,126.15 and as an Allowed Secured Claim in the amount of \$187.5 million plus Cash Collateral	SunCal Heartland; SunCal Heartland: 9	Marblehead Project	Initial Bid: \$187.5 Million

<u>Initial Bid #; Cont. Bid Letter</u>	<u>Class / Plan §</u>	<u>Claims</u>	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number).</u>	<u>Asset</u>	<u>Bid</u>
8	Class 2.12	Allowed Claim of Lehman ALI against SunCal Marblehead arising from the SunCal Marblehead / SunCal Heartland Loan Agreement in the Allowed Amount of \$354,325,126.15 and as an Allowed Secured Claim in the amount of \$7.9 million plus Cash Collateral	SunCal Marblehead; SunCal Marblehead: 21	Heart-land Project	Initial Bid: \$7.9 Million
9	Class 2.14	Allowed Claim of OVC Holdings or its assignee or successor against SunCal Oak Valley arising from the SunCal Oak Valley Loan Agreement in the Allowed Amount of \$141,630,091.63 and as an Allowed Secured Claim in the amount of \$20.9 million plus Cash Collateral	SunCal Oak Valley; SunCal Oak Valley 16	Oak Valley Project	Initial Bid: \$20.9 Million
10	Class 2.15	Allowed Claim of Northlake Holdings or its assignee or successor against SunCal Northlake arising from the Northlake Loan Agreement in the Allowed Amount of \$123,654,776.88 and as an Allowed Secured Claim in the amount of \$23 million plus Cash Collateral	SunCal Northlake; SunCal Northlake 6	North-lake Project	Initial Bid: \$23 Million

<u>Initial Bid #; Cont. Bid Letter</u>	<u>Class / Plan §</u>	<u>Claims</u>	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number).</u>	<u>Asset</u>	<u>Bid</u>
11	Class 2.16	Allowed Claim of Lehman ALI or its assignee or successor arising from the SunCal PSV Loan Agreement in the Allowed Amount of \$88,257,340.20 and as an Allowed Secured Claim in the amount of \$13.8 million plus Cash Collateral	SunCal PSV; SunCal PSV 12	Palm Springs Village Project	Initial Bid: \$13.8 Million
A	Plan § 5.2.3 / Class 7.21	Lehman Commercial's SunCal I Lien & Allowed General Unsecured Claim of Lehman Commercial or its assignee or successor arising from the SunCal Communities I Loan Agreement in the Allowed Amount of \$343,221,391.06	SunCal I; SunCal I: 1	SunCal Beaumont's Beaumont Heights Project	Contingent Bid: \$1.2 Million
				SunCal Johnson's Johnson Ranch Project	Contingent Bid: \$2.1 Million
				SunCal Summit Valley's Summit Valley Project	Contingent Bid: \$750,000

<u>Initial Bid #; Cont. Bid Letter</u>	<u>Class / Plan §</u>	<u>Claims</u>	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number).</u>	<u>Asset</u>	<u>Bid</u>
B	Class 2.1	Allowed Claim of Lehman Commercial or its assignee or successor against Acton Estates arising from the SunCal Communities I Loan Agreement in the Allowed Amount of \$343,221,391.06 and as an Allowed Secured Claim in the amount of \$6.8 million plus Cash Collateral	Acton Estates; Acton Estates: 6	Acton Project	Con- tingent Bid: \$3.4 Million
C	Class 2.4	Allowed Claim of Lehman Commercial or its assignee or successor against SunCal Summit Valley arising from SunCal Communities I Loan Agreement in the Allowed Amount of \$343,221,391.06 and as an Allowed Secured Claim in the amount of \$2.2 million plus Cash Collateral	SunCal Summit Valley; SunCal Summit Valley: 12	Owner- ship Interests of Kirby Estates and Seven Brothers in Summit Valley Project	Con- tingent Bid: \$1.075 Million
D	Class 2.6	Allowed Claim of Lehman ALI or its assignee or successor against SCC Communities, arising from the Interim Loan Agreement in the Allowed Amount of \$23,795,012.59 and as an Allowed Secured Claim in the amount of \$1.2 million plus Cash Collateral	SCC Communities; SCC Communities: 9	Joshua Ridge Project	Con- tingent Bid: \$1 Million
E	Class 2.8	Allowed Claim of Lehman ALI or its assignee or successor against Tesoro rising from the Interim Loan in the Allowed Amount of \$23,795,012.59 and as an Allowed Secured Claim in the amount of \$1.85 million plus Cash Collateral	Tesoro; Tesoro: 7	Tesoro Project	Con- tingent Bid: \$1.5 Million

1 e. Qualifying bids by third party purchasers must be bids for payment in
2 Cash. Other Holders of Allowed Secured Claims may credit bid such amount of their Allowed
3 Secured Claims as agreed with the Liquidating Trustee or fixed by the Bankruptcy Court, in each
4 case on a Project by Project basis. The bids of such other Holders of Allowed Secured Claims and
5 third party purchasers must comply with and be made consistent with the Detailed Sale Procedures.
6 If a qualifying bid or bids are received for any Project within forty-five (45) days after the Effective
7 Date, such bids shall be Filed with the Bankruptcy Court by the Liquidating Trustee.

8 f. The Initial Bids and, if made by any Lehman Creditor (and subject to
9 the following), the Contingent Bids, and any increased bids thereof by Lehman Creditors up to the
10 outstanding amount of the applicable Lehman Loans as set forth in Article IV of the Lehman Plan,
11 each shall be deemed fully qualifying and eligible bids for all purposes of such auctions and the
12 Detailed Sale Procedures. If no higher and better bid is made by another Holder of an Allowed
13 Secured Claim or third party purchaser in accordance with the Detailed Sale Procedures, the
14 applicable Lehman Creditor shall be the Successful Bidder and the Liquidating Trustee shall
15 convey the subject Project and related Assets to a Lehman Nominee in accordance herewith. The
16 Lehman Nominee shall report the subject Project and related Assets as being owned by it for all
17 applicable federal, state and local income tax purposes. If there is no Successful Bidder with
18 respect to an Asset, the Liquidating Trustee need not sell or convey it pursuant to the Lehman Plan
19 Sale Procedures.

20 g. The Initial Bids are in the amount of the Lehman Creditors'
21 previously appraised values for the subject Projects. The Contingent Bids are in the amounts of the
22 Debtors' value estimates as set forth in the Debtors' Third Amended Disclosure Statement. The
23 Contingent Bids relate to Assets as to which either (1) the Debtors have alleged that the Lien of the
24 applicable Lehman Lender is subject to a Cross-Collateralization Claim or (2) a Lehman Lender
25 holds a Lien on the equity interest in the owner of the Project for a limited purpose, but not directly
26 upon the Project itself and holds a General Unsecured Claim against the Holder of the equity
27 interests in the Project.
28

h. The Lehman Creditors Initial Bids and Contingent Bids represent bids on Assets associated with all of the Projects currently owned by the Debtors other than the 10000 Santa Monica Project, owned by SunCal Century City; provided that the Initial Bids and Contingent Bids do not include parcels within the Summit Valley Project and Beaumont Heights Project as to which there are Secured Claims in Class 4 of the Plan senior to the Secured Claims of the Lehman Creditors. Although a Lehman Creditor may at any time elect to bid Cash for an Asset on the same terms as other third parties, for bids made through the Initial Bids and, if the applicable Lehman Creditors elect to make them, bids made through the Contingent Bids, Creditors are protected, as and to the extent provided in the Lehman Plan:

(1) Any Remaining Real Estate Project which is conveyed to a Lehman Nominee pursuant to the Lehman Plan Sale Procedures pursuant to an Initial Bid or Contingent Bid or increased bid therefrom, as set forth above (each a "PRA Security Project") shall be encumbered by a PRA Recovery Deed of Trust and such Lehman Nominee shall execute a Reconveyance Agreement.

(2) Contingent Bids B, D and E, identified in the table above, relate to three Remaining Real Estate Projects as to which the Debtors have alleged that the Lien of the Lehman Lender is subject to a Cross-Collateralization Claim. If a Lehman Creditor is a Successful Bidder pursuant to Contingent Bid B, D or E, a reconveyance obligation for a Cross-Collateralization Final Judgment will apply as to such Project as set forth in the Lehman Plan and such obligation will be secured by a PRA Recovery Deed of Trust (which shall be released as provided in the Lehman Plan).

(3) Contingent Bids A and C, identified in the table above, relate to three Remaining Real Estate Projects as to which a Lehman Lender holds a Lien on the equity interests in the owners of such Remaining Real Estate Projects for a limited purpose, but not directly upon the Remaining Real Estate Projects and holds a General Unsecured Claim against the Holder of the equity interests in the Project. Contingent Bids A and C are in the amount of the Debtors' estimate of value for the applicable Remaining Real Estate Project set forth in the Debtors' Third Amended Disclosure Statement. They will include a Cash portion equal to the full

amount of the bid, or, if less, 110% of the aggregate amount of all non-Lehman Creditor Claims against the particular Plan Debtor owning the subject Remaining Real Estate Project as estimated in Exhibit 7 to the Debtors' Third Amended Disclosure Statement. The Cash portions of Contingent Bids A and C, identified in the table above, for these three Remaining Real Estate Projects, divided among the five Plan Debtor owners thereof, are as follows: Beaumont Heights Project (owned by SunCal Beaumont): \$689,200 Cash (non-Lehman Creditor Claims of \$626,545 x 110%); Johansson Ranch Project (owned by SunCal Johansson): \$165,427 Cash (non-Lehman Creditor Claims of \$150,388 x 110%); Summit Valley Project (the portion owned by SunCal Summit Valley): \$750,000 Cash (entire bid); Summit Valley Project (the portion owned by Kirby Estates): \$2,000 Cash (non-Lehman Creditor Claims of \$1,744 x 110%); and Summit Valley Project (the portion owned by Seven Brothers): \$66,911 Cash (non-Lehman Creditor Claims of \$60,828 x 110%).

7.9.2 Net Proceeds from Sales of Remaining Real Estate Projects to Third Party Purchasers.

If a Remaining Real Estate Project subject to a Lehman Lender's Lien is sold to a third party purchaser (rather than sold or conveyed to a Lehman Nominee), as to the Net Cash Proceeds therefrom, the Liquidating Trustee shall hold such Net Cash Proceeds in the Plan Reserve and, as to non-Cash Net Proceeds to the Liquidating Trustee therefrom, the applicable Lehman Lenders shall be afforded substitute Liens on such non-Cash Net Proceeds.

7.9.3 PRA Recovery Security Pool.

(a) Generally.

The Lehman Lenders dispute or may dispute all or substantially all of the Equitable Subordination Claims and the Cross-Collateralization Claims. If, however, some recovery were afforded to the Liquidating Trustee for the Estates in respect of the Equitable Subordination Claims in the ES Action or the Cross-Collateralization Claims in a Cross-Collateralization Action (*i.e.*, a Project Related Action Recovery), and if a variety of other litigation hurdles were overcome, the values of the Remaining Real Estate Projects against which Lehman Creditors hold Secured Claims and on which Lehman Creditors are bidding and may bid possibly would be available to satisfy the

1 Project Related Action Recovery. Thus, to secure the satisfaction of a Project Related Action
2 Recovery and thereby protect the Estates of the Plan Debtors and their Creditors (1) certain Cash is
3 to be held by the Liquidating Trustee in the Plan Reserve and the remainder therefrom shall be
4 available to satisfy such ES Final Judgment or Cross-Collateralization Final Judgment to the extent
5 otherwise provided under the Lehman Plan and (2) any Remaining Real Estate Project that is
6 conveyed to a Lehman Nominee pursuant to the Lehman Plan Sale Procedures shall be subject to a
7 PRA Recovery Deed of Trust (collectively, the “PRA Recovery Security Pool”).

8 At any time that the Plan Reserve contains an amount equal to the Maximum PRA
9 Recovery Amount, by voluntary payment of a Lehman Related Party or otherwise, the Liquidating
10 Trustee shall terminate all Reconveyance Agreements, release and reconvey to the applicable
11 Lehman Nominees all PRA Recovery Deeds of Trust and release to the applicable Holders of the
12 Lehman Secured Claims and all Lehman Nominees (who shall determine the allocation of the funds
13 amongst them) all funds in the Plan Reserve in excess of the Maximum PRA Recovery Amount.

14 At any time that the ES Action and all timely Filed Cross-Collateralization Actions either (I) have
15 been dismissed with prejudice and/or settled or (II) the Project Related Action Recovery with
16 respect thereto as against the applicable Lehman Related Parties has been fully satisfied, the
17 Liquidating Trustee, upon the request of the applicable Lehman Related Parties, shall terminate all
18 Reconveyance Agreements, release and reconvey to the applicable Lehman Nominees all PRA
19 Recovery Deeds of Trust and release to the applicable Holders of the Lehman Secured Claims and
20 all Lehman Nominees (who shall determine the allocation of the funds amongst them) all funds in
21 the Plan Reserve other than the amount reserved with respect to the Guaranteed Minimum
22 Distribution.

23 **(b) PRA Recovery Deeds of Trust.**

24 Upon conveyance of a Remaining Real Estate Project to one or more Lehman Nominees in
25 connection with the Lehman Plan Sale Procedures, the Lehman Lenders will cause the applicable
26 Lehman Nominees taking title to the applicable PRA Security Project to record a PRA Recovery
27 Deed of Trust with the priority achievable from the appropriate recording thereof just prior to the
28 moment of conveyance. The Liquidating Trustee shall be the named beneficiary under any PRA

1 Recovery Deed of Trust and, in his or her sole discretion, may delay, defer or waive receipt of the
2 benefits or the recording thereof as to one or more Remaining Real Estate Projects. Each PRA
3 Recovery Deed of Trust is being given solely for the purpose of creating a Lien on the applicable
4 PRA Security Project to be part of the PRA Recovery Security Pool and nothing contained therein
5 shall in any way restrict or interfere with the rights of the owner of such PRA Security Project,
6 including, without limitation, such owner's right to own, manage, operate, improve, sell, convey,
7 refinance, encumber and otherwise deal with such PRA Security Project.

8 Each PRA Recovery Deed of Trust shall secure the non-recourse obligation of each Lehman
9 Nominee who is the owner of each relevant PRA Security Project to reconvey the applicable PRA
10 Security Project to the Liquidating Trustee in the event of an ES Final Judgment or Cross-
11 Collateralization Final Judgment, subject to the terms of the Reconveyance Agreements and subject
12 to the option of the Lehman Nominee to pay in Cash the amount of the Project Related Action
13 Recovery in lieu of effectuating such reconveyance. In aggregate, the PRA Security Deeds of Trust
14 secure an amount not in excess of the Maximum DOT Security Amount.

15 Each PRA Recovery Deed of Trust shall also provide that the applicable Lehman Nominee
16 will not cause, through an affirmative action on its part (as opposed to any inaction or failure to
17 act), any hazardous substances to be deposited onto the applicable PRA Security Project
18 encumbered by such PRA Recovery Deed of Trust at any time following the acquisition of title to
19 such PRA Security Project by such Lehman Nominee and prior to the sale of such PRA Security
20 Project; provided, however, that the Lehman Nominee shall have no obligation to (1) clean up,
21 remove or remediate any existing hazardous substances (including, without limitation, any
22 asbestos, mold or petroleum products) which may be present on or within such PRA Security
23 Project or which may be emanating therefrom as of the date of the conveyance of such property to
24 such Lehman Nominee or (2) take any action or incur any expense to prevent hazardous substances
25 from existing or being present on or within such PRA Security Project or from otherwise emanating
26 therefrom except as specifically provided above (the "Negative Covenant"). If such Lehman
27 Nominee fails to comply with the foregoing Negative Covenant for thirty (30) days following
28 written notice and an opportunity to cure, then the Liquidating Trustee shall have the right to seek

1 damages against Lehman ALI and Lehman Commercial, jointly and severally, and any claims
2 arising from the pursuit of such remedies shall be treated as administrative expense claims in
3 Lehman Commercial's bankruptcy case and, if Lehman ALI is then subject to its own bankruptcy
4 proceeding, Lehman ALI shall use its best efforts to afford the same administrative priority to such
5 claims in any such bankruptcy case. Any payments made or assets seized in satisfaction of any
6 judgment based on such damage claims shall be deposited into the Plan Reserve. In addition, if a
7 Lehman Nominee fails to pay or cause to be paid any property taxes or assessments due and
8 payable with respect to the PRA Security Project owned by such Lehman Nominee on or prior to
9 the date which is six (6) months prior to the earliest date on which a foreclosure of such PRA
10 Security Project could be effectuated for non-payment of property taxes or assessments, then the
11 Liquidating Trustee shall have the right to make a protective advance for the payment of such taxes
12 or assessments and to foreclose upon the applicable PRA Recovery Deed of Trust encumbering
13 such PRA Security Project in order to repay any such outstanding protective advance; provided that
14 any proceeds of any such foreclosure sale and any interest acquired by the Liquidating Trustee in
15 connection with any such foreclosure sale shall be deposited into the Plan Reserve pending the
16 completion of the Project Related Actions.

17 (c) **Reconveyance Agreements.**

18 The non-recourse performance obligations for turnover and reconveyance of each PRA
19 Security Project secured by the applicable PRA Recovery Deed of Trust shall be in a writing (each,
20 a "Reconveyance Agreement"), which writing is to be executed by the applicable Lehman Nominee
21 that takes ownership of the subject PRA Security Project and shall be in a form acceptable to the
22 Lehman Lenders or Lehman Nominee and Liquidating Trustee or as reasonably proposed by the
23 Lehman Lenders or Lehman Nominee and approved by the Bankruptcy Court at or after the hearing
24 on confirmation of the Lehman Plan, as may be modified after the Confirmation Date by agreement
25 of the applicable Lehman Nominee or other owner of the applicable PRA Security Project and
26 Liquidating Trustee or approval of the Bankruptcy Court. At a Lehman Nominee's election, such
27 non-recourse obligations, instead, may be satisfied by a Cash payment to the applicable Estate(s) in
28 the amount of any applicable Project Related Action Recovery.

The obligations to reconvey a particular PRA Security Project following the occurrence of, and in satisfaction of, a Cross-Collateralization Final Judgment or an ES Final Judgment are distinct. The reconveyance obligation with respect to an ES Final Judgment shall be included in each Reconveyance Agreement. The reconveyance obligation with respect to a Cross-Collateralization Final Judgment shall be included only in the Reconveyance Agreement related to the PRA Security Project as to which a Cross-Collateralization Claim is alleged in a Cross-Collateralization Action. The benefits of the reconveyance obligations with respect to ES Final Judgments, if any, are themselves to be cross-collateralized, to the extent provided in the Lehman Plan, by virtue of the concessions being made by the Lehman Creditors to benefit Non-Settling ES Claimants as described in Section 7.10.3(b) of the Plan. A reconveyance obligation with respect to a Cross-Collateralization Final Judgment, if any, shall only apply with respect to the particular PRA Security Project as to which the Lien of the applicable Lehman Creditor is avoided by the Cross-Collateralization Final Judgment and the benefits thereof, if any, only shall inure to the Holders of Allowed Claims against the Plan Debtor that owned such PRA Security Project as provided in Section 7.11.2 of the Plan. Nonetheless, for PRA Security Projects as to which the Reconveyance Agreement contains obligations to reconvey for both an ES Final Judgment and a Cross-Collateralization Final Judgment, the distribution priorities as to the Net Cash Proceeds from the disposition of the reconveyed PRA Security Project, set forth in Section 7.11.2 of the Plan, give priority to the Cross-Collateralization Judgment, which in theory would be setting aside the Lien as to which the related ES Judgment seeks to transfer the now extinguished benefits.

(d) Release of PRA Recovery Deeds of Trust.

The PRA Recovery Deeds of Trust generally shall remain in effect pending the final settlement or determination of the Project Related Actions. Thus, all PRA Recovery Deeds of Trust shall be released and reconveyed and all Reconveyance Agreements shall be terminated upon:

- (1) the dismissal, with prejudice, and/or settlement of all Project Related Actions against the applicable Lehman Related Parties, or
- (2) full satisfaction of each Project Related Action Recovery as against the applicable Lehman Related Parties.

1 Additionally, in order to permit the Lehman Nominees holding title to the PRA Security Projects to
2 fully utilize such properties:

- 3 A. all of the PRA Recovery Deeds of Trust shall be released and all Reconveyance
4 Agreements terminated at such time as the balance of funds in the Plan Reserve
5 is equal to the Maximum PRA Recovery Amount; and
6 B. the PRA Recovery Deed of Trust encumbering a particular PRA Security Project
7 shall be released and the corresponding Reconveyance Agreement terminated
8 upon the sale of such Project to a third party and the deposit of any Net Cash
9 Proceeds resulting from such sale into the Plan Reserve and/or the provision of a
10 substitute Lien on any non-Cash Net Proceeds resulting from such sale; and
11 C. the PRA Recovery Deed of Trust encumbering a particular PRA Security
12 Project shall be subordinated to the Lien of a new mortgage loan upon a
13 refinancing of the particular PRA Security Project obtained by the applicable
14 Lehman Nominee in its sole and absolute discretion, provided that all Net Cash
15 Proceeds derived from such refinancing are deposited into the Plan Reserve.

16 Further, the reconveyance obligation, to be included in any Reconveyance Agreement with
17 respect to a Cross-Collateralization Final Judgment if a timely Cross-Collateralization Action is
18 pending as to certain Projects if conveyed under the Lehman Plan Sale Procedures to a Lehman
19 Nominee, shall terminate once no Cross-Collateralization Action is pending and either no Cross-
20 Collateralization Judgment has issued or such judgment been satisfied, annulled, vacated or
21 reversed.

22 Whenever Lien releases or subordinations or terminations of reconveyance obligations or
23 Reconveyance Agreements occur or are required, the Liquidating Trustee shall act reasonably in
24 arranging to provide, and in executing such documents as the applicable Lehman Nominee
25 reasonably requests to effectuate the reconveyance in full of the PRA Recovery Deeds of Trust or
26 termination of reconveyance obligations or Reconveyance Agreements.

(e) **Reduction of Maximum PRA Recovery Amount.**

The Maximum PRA Recovery Amount, which serves as the maximum aggregate amount secured by the PRA Recovery Security Pool, is an amount intended to be not less than the maximum potential cash value of the Project Related Action Recovery. For the calculation of the Maximum PRA Recovery Amount, the definition thereof in the Lehman Plan includes, unless rebutted with lower figures, presumptions that the maximum cash value of the potential Project Related Action Recovery for Cross-Collateralization Final Judgments is \$1.74 million and for ES Judgments is \$200 million. If, however, a Lehman Lender Files a motion with the Bankruptcy Court and provides relevant evidence, as follows, the Maximum PRA Recovery Amount shall be reduced accordingly:

(1) to replace the amount used in subparagraph (a) of the definition of Maximum PRA Recovery Amount (Section 2.1.141 of the Plan), the Bankruptcy Court must find that a lower number results upon determining (I) the lesser of (A) the maximum cash value, if any, of the Lehman Secured Claims alleged to be subject to being set aside pursuant to a Cross-Collateralization Judgment, which Secured Claims are against any of the Acton Project, Joshua Ridge Project or Tesoro Project as is conveyed to a Lehman Nominee upon a credit bid and (B) the maximum Claims (other than Claims of Lehman Creditors) against Acton Estates, SCC Communities or Tesoro (as to which Plan Debtors, there are pending Cross-Collateralization Claims in a pending Cross-Collateralization Action against a Lehman Related Party and the Project owned by such Estate has been conveyed to a Lehman Nominee pursuant to a credit bid), and (II) subtracting from such amount the value of all direct or indirect benefits to the subject Plan Debtor resulting from the subject Lehman Loan; and/or

(2) to replace the amount used in subparagraph (b)(i) of the definition of Maximum PRA Recovery Amount (Section 2.1.141 of the Plan), the Bankruptcy Court finds that a lower number results upon determining (I) the lesser of (A) the maximum cash value of the Lehman Secured Claims in the Plan Debtors' Assets that are alleged to be subject to subordination pursuant to an ES Judgment and (B) the maximum Claims (other than Claims of

Lehman Creditors) against the Plan Debtors (as to which there are pending allegations in the ES Action that a Lehman Secured Claim is subject to subordination).

7.9.4 Sale or Refinance of PRA Security Projects.

a. The Lehman Nominee(s) will have full right to sell and/or refinance the PRA Security Projects in all respects after the conveyance thereof to the Lehman Nominee(s) pursuant to the Lehman Plan Sale Procedures without any interference by the Liquidating Trustee, SunCal, the Trustee, the Debtors or any of their respective Affiliates or any ES Claimants or other Creditors of the applicable Plan Debtors.

b. If any particular PRA Security Project is thereafter sold by a Lehman Nominee other than to a Lehman Related Party, (a) the Liquidating Trustee shall release the PRA Recovery Deed(s) of Trust as to such PRA Security Project, (b) the Net Cash Proceeds derived from such sale shall be deposited into the Plan Reserve, and (c) the Lehman Nominee shall grant the Liquidating Trustee a substitute Lien in any non-Cash Net Proceeds received by such Lehman Nominee to become part of the PRA Recovery Security Pool and to be subject to the same terms as other PRA Recovery Deeds of Trust.

c. If any particular PRA Security Project is refinanced by the Lehman Nominee, (a) the Liquidating Trustee shall agree to subordinate the PRA Recovery Deed(s) of Trust as to such PRA Security Project so as to permit the imposition on the PRA Security Project of a new senior refinancing Lien, and (b) the Net Cash Proceeds derived from such refinancing shall be deposited into the Plan Reserve.

d. If any particular PRA Security Project is sold by a Lehman Nominee to another Lehman Related Party, then either (x) such sale may be made subject to the PRA Recovery Deed(s) of Trust (which shall be mandatory if the transferee is a Lehman Creditor Party), or (y) all of the following shall apply: (1) there shall be deposited into the Plan Reserve all Net Cash Proceeds received by the Lehman Nominee in connection with such transfer, (2) the Liquidating Trustee shall be granted a substitute Lien on any non-Cash Net Proceeds received by a Lehman Nominee in connection with such transfer and (3) a Lien either (I) against the equity interest in the joint venture or similar entity of the Lehman Nominee or (II) against the most direct

1 interest held by a Lehman Nominee, shall be granted to the Liquidating Trustee and the Lien so
2 granted shall become part of the PRA Recovery Security Pool and be subject to the same terms as
3 the PRA Recovery Deeds of Trust.

4 e. As to any Remaining Real Estate Projects not sold or conveyed
5 pursuant to the Lehman Plan Sale Procedures: (i) they shall be otherwise liquidated by the
6 Liquidating Trustee or may be abandoned or surrendered with the consent of the Lehman Lenders
7 and after approval of the Bankruptcy Court; (ii) such Remaining Real Estate Projects may be sold
8 free and clear of Encumbrances other than Permitted Liens for Cash, or on such other terms to
9 which the Holder of an Allowed Secured Claim with respect thereto consents; (iii) the Holder of
10 any such Allowed Secured Claim (including any applicable Holder of any Lehman Secured Claim)
11 shall receive at least thirty (30) days' prior notice of any proposed sale and may elect to credit bid
12 in response to such notice up to the full amount of its Claim for which the item being sold is
13 collateral (without the amount bid being limited to the value of the Holder's interest in such
14 collateral); (iv) if the Remaining Real Estate Project is sold to a third party purchaser, promptly
15 upon receipt thereof by the Liquidating Trustee, the Net Cash Proceeds (and any non-Cash Net
16 Proceeds) therefrom shall be paid or turned over to the Holders of Allowed Secured Claims against
17 such Remaining Real Estate Project up to the full amount of each such Holder's Allowed Claim (or
18 used in payment of other Claims as otherwise set forth in the Lehman Plan in respect of the
19 treatment of such Allowed Secured Claims) and any remaining Net Cash Proceeds shall be used to
20 pay other obligations of the applicable Plan Debtor's Estate in the priorities set forth in Section
21 7.11.2(c) of the Plan.

22 **7.10 Equitable Subordination Claims**

23 **7.10.1 Generally.**

24 As set forth in Section 5.8, ES Claimants are afforded the option to vote either for
25 acceptance of the ES Settlement Offer and the specified benefits it provides or to have the
26 Liquidating Trustee continue prosecution of the Equitable Subordination Claims for their potential
27 benefit.

28 **7.10.2 ES Settlement Offer.**

(a) Payments to ES Settling Claimants.

The Settling ES Claimants are to receive the ES Pro Rata Settlement Payments as and to the extent set forth in Section 5.8.

(b) Releases and Assignments.

In exchange for the ES Pro Rata Settlement Payments: (A) the Liquidating Trustee will issue an Estate ES Settlement Release as to each Estate in which any Settling ES Claimant holds its Allowed ES Claim; (B) each Settling ES Claimant will issue an ES Claimant Release and Assignment; and (C) if there is Estate Acceptance of the ES Settlement as to all applicable Estates of the ES Plan Debtors, the Liquidating Trustee also will dismiss (with prejudice), as to the Estates of all ES Plan Debtors, the ES Action, with each party to bear its own costs and fees.

(i) Estate ES Settlement Release.

In exchange for the commitment of the Lehman Lenders under the Plan to make available funding for the ES Pro Rata Settlement Payments from, among other sources, Cash Collateral of the Lehman Creditors, as of the Effective Date, the Estate of each Plan Debtor as to which there is a Settling ES Claimant, on behalf of itself and its Affiliates exclusive of other Debtors in these Cases, shall be deemed to unconditionally, irrevocably and generally release, acquit and forever discharge, waive and relinquish any and all causes of action, actions, rights of action, suits, judgments, liens, indebtedness, damages, losses, claims, liabilities, obligations, attorneys' fees, costs, expenses and demands of every kind and character, whether known or unknown, suspected or unsuspected, disclosed or undisclosed, including without limitation any Litigation Claims, whether for damages, subordination or other remedies, and including any and any objections or defenses to Lehman Related Party's Claims, Liens, rights, or causes of action, to the extent attributable to the ES Claims of the Settling ES Claimants or to the extent that the Net Cash Litigation Recoveries therefrom would be payable in respect of the ES Claims of the Settling ES Claimants, from and against all Lehman Releasees and all and any owners of the applicable Project(s) (that were at any time owned by the Plan Debtor of the releasing Estate), including the Lehman Nominees, which owners are or were successors or assigns of the applicable Debtor, or any of them, and their subsidiaries and their respective officers, directors, employees, agents, predecessors, successors, assigns, representatives,

1 attorneys and other professionals, or their properties.

2 The releases given above include an express, informed, knowing and voluntary waiver and
3 relinquishment to the fullest extent permitted by law of rights under Section 1542 of the California
4 Civil Code, which reads as follows, and under any similar or comparable laws anywhere in the
5 world:

6 **A general release does not extend to claims which the creditor**
7 **does not know or suspect to exist in his favor at the time of**
8 **executing the release, which if known by him must have**
9 **materially affected his settlement with the debtor.**

10 While the Confirmation Order, without more, shall effectuate the release, waiver and
11 relinquishment described or referenced in this section for the Lehman Releasees and successor
12 owners of the specified Projects, in accordance herewith, the Lehman Releasees also shall be
13 entitled to the issuance of a separate written release, waiver and relinquishment by the Liquidating
14 Trustee in a form acceptable to the Lehman Lenders and Liquidating Trustee or as reasonably
15 proposed by the Lehman Lenders and approved by the Bankruptcy Court at or after the hearing on
16 confirmation of the Lehman Plan.

17 **(ii) ES Claimant Release and Assignment.**

18 In exchange for the commitment of the Lehman Lenders under the Plan to make available
19 funding for the ES Pro Rata Settlement Payments from, among other sources, Cash Collateral of the
20 Lehman Creditors as of the Effective Date, in returning its Ballot accepting the ES Settlement
21 Offer, each Settling ES Claimant by Vote, on behalf of itself and its Affiliates, shall be deemed to
22 (a) unconditionally, irrevocably and generally release, acquit and forever discharge, waive and
23 relinquish any and all causes of action, actions, rights of action, suits, judgments, liens,
24 indebtedness, damages, losses, claims, liabilities, obligations, attorneys' fees, costs, expenses and
25 demands of every kind and character, whether known or unknown, suspected or unsuspected,
26 disclosed or undisclosed, including without limitation any Litigation Claims, whether for damages,
27 subordination or other remedies, and including any and any objections or defenses to Lehman
28 Related Party's Claims, Liens, rights, or causes of action, to the extent attributable or related to the
ES Claims of such Settling ES Claimant or to the extent that the Net Cash Litigation Recoveries

therefrom would be payable in respect of the ES Claims of such Settling ES Claimant (collectively, the “ES Claimant Released Claims”), from and against all Lehman Releasees and all and any owners of the applicable Project(s) (that were at any time owned by the Plan Debtor of the Estate against which the applicable Allowed ES Claim is asserted), including the Lehman Nominees, which owners are or were successors or assigns of the applicable Debtor, or any of them, and their subsidiaries and their respective officers, directors, employees, agents, predecessors, successors, assigns, representatives, attorneys and other professionals, or their properties, and (b) to the extent such ES Claimant Released Claims are owned by the Estate of a Plan Debtor and cannot be released by the ES Claimant, assign to the applicable Lehman Lender (or if multiple applicable Lehman Lenders, the Lehman Lender holding the most senior Lien against the applicable Estate’s Project), all rights, benefits and interests of the Settling ES Claimant with respect to such ES Claimant Released Claims, including the Litigation Recoveries that otherwise would be due therefrom to, or attributable to the ES Claims of, the Settling ES Claimants.

The releases given above include an express, informed, knowing and voluntary waiver and relinquishment to the fullest extent permitted by law of rights under Section 1542 of the California Civil Code, which reads as follows, and under any similar or comparable laws anywhere in the world:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

While the Confirmation Order, without more, shall effectuate the release, waiver and relinquishment described or referenced in this section for the Lehman Releasees and all successor owners of the specified Projects, in accordance herewith, the Lehman Releasees also shall be entitled to the issuance of a separate written release, waiver and relinquishment by the Settling ES Claimant by Vote in the form set forth on, or attached to, the Ballot.

7.10.3 Continued Prosecution of Equitable Subordination Claims.

Unless all of the Estates of the ES Plan Debtors accept the ES Settlement Offer (through the acceptance of the ES Settlement Offer by at least one-half in number and two-thirds in amount of

1 the voting ES Claimants of each such ES Plan Debtor's Estate), resulting in a dismissal (with
2 prejudice), release and settlement of all Equitable Subordination Claims as to all ES Plan Debtors'
3 Estates, the Liquidating Trustee may continue prosecution of the Equitable Subordination Claims in
4 the ES Action seeking any alleged damages, subordination or other remedies that may be available
5 for the benefit of and attributable to the ES Claims of any Non-Settling ES Claimants, subject to the
6 Plan Release and as determined by the court with jurisdiction over such actions; provided, that the
7 PRA Recovery Security Pool will be the sole source for recovery on an ES Judgment, unless a
8 Lehman Lender elects to pay Cash in lieu thereof.

9 (a) **ES Litigation Loan.**

10 i. Unless the Equitable Subordination Claims in the ES Action are fully settled as to all
11 ES Plan Debtors' Estates (*i.e.*, there is Estate Acceptance of the ES Settlement for all ES Plan
12 Debtors' Estates), a Lehman Lender will make available to the Liquidating Trustee the ES
13 Litigation Loan in the aggregate principal amount of up to \$1 million for the Estates of those ES
14 Plan Debtors for which the Liquidating Trustee continues to prosecute Equitable Subordination
15 Claims. The ES Litigation Loan will accrue interest at a 10% annual rate (compounded annually).
16 The proceeds of the ES Litigation Loan may be used solely for the payment of ES Litigation
17 Expenses if and only if there is no Available Cash in the Post-Confirmation Accounts to fund the
18 ES Litigation Expenses and SunCal and its principals decline to continue paying the cost of
19 prosecuting the Equitable Subordination Claims in the ES Action.

20 ii. The ES Litigation Loan shall be made available by a Lehman Lender to the
21 Liquidating Trustee as the ES Litigation Expenses are incurred and shall be funded no more
22 frequently than on a monthly basis. The Liquidating Trustee shall provide the Lehman Lender with
23 reasonable substantiation and backup (including invoices and statements from the parties to be
24 paid) for any ES Litigation Expenses to be paid with the proceeds of the ES Litigation Loan in
25 connection with any request to the Lehman Lender for an advance of proceeds of the ES Litigation
26 Loan; provided, however, that the Liquidating Trustee shall not be required to provide any
27 substantiation or backup to the Lehman Lender that discloses, directly or indirectly, information or
28 communications that are subject to attorney-client privilege or attorney work product or contains

any other privileged or confidential information or strategies of the Liquidating Trustee with respect to the ES Action.

iii. ES Litigation Proceeds shall be made available to pay Allowed Non-Settled ES Claims only after repayment of the ES Litigation Loan, together with interest thereon at an annual, compounded rate of interest equal to 10%; provided, that such repayment may be made without any prejudice to the right of the prevailing party to seek reasonable fees and costs from the non-prevailing party in the ES Action. Such repayment shall be from sources other than Cash Collateral to which the applicable Lehman Creditor otherwise is entitled.

iv. At the election of a Lehman Lender, (1) the ES Litigation Loan may be funded from Cash Collateral of a Lehman Creditor, (2) the ES Litigation Loan may be funded from a transfer of new Cash from a Lehman Lender or (3) a Lehman Lender may direct that the Liquidating Trustee use, for the ES Litigation Loan, funds in the form of new Cash from one or another Lehman Creditor and pay a like amount of Cash Collateral securing a Lehman Loan towards reduction of such Lehman Loan, as the Lehman Lender directs.

(b) Concessions by Lehman Lenders to Facilitate Collection of ES Judgments.

Although the Lehman Lenders believe they will defeat any Equitable Subordination Claims in the ES Action, to further incentivize support of all ES Claimants for the Lehman Plan, including Non-Settling ES Claimants, the Lehman Lenders, solely in connection with and for confirmation and the effectiveness of the Lehman Plan, agree to the following in connection with entry of an ES Judgment subordinating the Lehman Secured Claims to the ES Claims, if any such judgment is entered:

(i) Excess Values Otherwise Available to Pay the Lehman Creditors from Certain ES Plan Debtors' Projects Are to be Collateral for Equitable Subordination Claims that Benefit ES Claimants of Other ES Plan Debtors. For some particular ES Plan Debtors' Estates, the Net Cash Proceeds from the sale of their PRA Security Projects or other Assets likely would be insufficient to pay the Allowed ES Claims against those Estates and, for other particular ES Plan Debtors' Estates, such Net Cash Proceeds likely would

1 exceed the Allowed ES Claims against their Estates. Instead of any such excess Net Cash Proceeds
2 being available next to the Lehman Creditors, as Holders of Secured Claims or subordinated
3 Secured Claims against those Estates, the Lehman Creditors, to their own detriment, have agreed,
4 by virtue of permitting the PRA Recovery Security Pool to secure all ES Judgments, to voluntarily
5 subordinate their remaining Secured Claims in any such excess values in the PRA Security Projects
6 to any unpaid portion of an ES Final Judgment as to other ES Plan Debtors' Estates.

7 (ii) **To Obtain the ES Judgment in the First Instance for Del**
8 **Rio and SJD Partners, No Showing Will be Required that the Subject Estates Had Enough**
9 **Value In Them to Pay their ES Claims Without Regard to Any Lehman Secured Claim.** As to
10 the Estates of Del Rio and SJD Partners only, Lehman ALI and Fenway Capital will waive an
11 objection or defense, that, even were the applicable Lehman Secured Claim ignored, there was
12 insufficient value in those Estates to pay their Allowed ES Claims and, as to SJD Partners, that they
13 are inappropriate defendants as to a non-recourse judgment secured by the PRA Recovery Security
14 Pool, provided that (I) all other grounds necessary to obtain an ES Judgment have been satisfied,
15 and (II) the applicable Estate executes the Del Rio / SJD Partners Release within forty-five (45)
16 days following the Effective Date.

17 (iii) **There is to be a BFP Waiver by Fenway Capital.** The
18 defense to the ES Action by Fenway Capital (which the Bankruptcy Court determined is a Lehman
19 Successor) that Fenway Capital is a *bona fide* purchaser for value of certain applicable Lehman
20 Loans, such that the actions or conduct of the Lehman Lenders could not be attributed to Fenway
21 Capital due to such status, is to be waived if the Credit Bid Conditions are satisfied and if Fenway
22 Capital affirmatively consents in writing. (The Lehman Lenders are exercising good faith efforts to
23 obtain the affirmative consent in writing of Fenway Capital to the BFP Waiver.)

24 **7.11 Post-Confirmation Expenses, Intercompany Loans and Payables and Priorities**
25 **in Payment.**

26 **7.11.1 Post Confirmation Expenses and Intercompany Loans.**

27 All Post-Confirmation Expenses may be paid by the Liquidating Trustee from the Post-
28 Confirmation Account(s) upon ten (10) days' prior written notice and opportunity to object

provided to the Lehman Lenders, the Committee(s), the Holders of Lehman Disputed Secured Claim(s), or with their consent, but without further notice to other Creditors or Holders of Interests, or approval of the Bankruptcy Court. Any disputes concerning the payment of Administrative and Post-Confirmation Expenses shall be submitted to the Bankruptcy Court for resolution. To the extent readily determinable, Post-Confirmation Expenses attributable to a particular Plan Debtor shall be paid from that Plan Debtor's Assets consistent with the provisions of the Lehman Plan. To the extent of available Assets from each Plan Debtor, other Post-Confirmation Expenses shall be payable by each Plan Debtor Pro Rata consistent with the Lehman Plan, provided that after a Plan Debtor's available Cash or Assets are exhausted, the other Plan Debtors shall absorb such Plan Debtor's share of unpaid Post-Confirmation Expenses as provided in the Lehman Plan, which shall be Pro Rata to the extent reasonably possible. To the extent one Plan Debtor advances funds on behalf of another, the Liquidating Trustee shall book a receivable for the advancing Debtor and a payable for the borrowing Debtor.

7.11.2 Payables and Priorities in Payment.

Recoveries from the following sources as to which there are no unsubordinated Secured Claims shall be applied in the following manner:

(a) Funds Constituting Collateral.

All funds that are collateral for the Lehman Post-Confirmation Funding shall be used for repayment thereof to the applicable Lehman Lender or replenishment of Cash Collateral for the applicable Lehman Lender when available for distribution or upon maturity of the Lehman Post-Confirmation Funding; and all funds that are collateral for a Lehman Secured Claim shall be used for repayment thereof when provided in the Lehman Plan as to treatment of the Lehman Secured Claims; provided that the tax distributions to the applicable Lehman Creditor from the Plan Reserve shall be payable no less than annually from the income earned thereupon;

(b) Funds Constituting ES Litigation Proceeds.

ES Litigation Proceeds of a particular Estate (unless they are or may also be a Project Related Action Recovery of a particular Estate with respect to a Cross-Collateralization Judgment) shall be applied in the following order of priority until exhausted:

- (1) First, to payment of the ES Litigation Loan;
- (2) Second, to payment of, or, in the discretion of the Liquidating Trustee, reserve for the particular Estate's Pro Rata share of repayments owing with respect to Lehman Post-Confirmation Funding;
- (3) Third, to payment of, or, in the discretion of the Liquidating Trustee, reserve for the direct Post-Confirmation Expenses of such Estate and its Pro Rata share of unpaid Post-Confirmation Expenses commonly allocable among it and other Plan Debtors (not including any repayment of post-Confirmation Date intercompany payables);
- (4) Fourth, to repayment of any post-Confirmation Date intercompany payables of such Estate;
- (5) Fifth, to such Estate's Holders of Allowed Non-Settled ES Claims entitled to the ES Litigation Proceeds pursuant to the terms of the ES Final Judgment until paid the full amount of their Allowed ES Claims;
- (6) Sixth, to the Estates of other Holders of Allowed ES Claims entitled to the ES Litigation Proceeds pursuant to the terms of the ES Final Judgment, if any, payable Pro Rata among such Estates based upon their entitled and Allowed ES Claims not paid from their Estate's own Assets, first to pay such Estate's share of repayments owing with respect to Lehman Post-Confirmation Funding and next to pay such Allowed ES Claims until paid in full; and
- (7) Seventh, to the applicable Lehman Creditors;

(c) **Various Other Funds, Including Funds Constituting a Project Related Action Recovery With Respect to a Cross-Collateralization Judgment.**

(i) A Project Related Action Recovery of a particular Estate with respect to a Cross-Collateralization Judgment (unless it also may become ES Litigation Proceeds based upon the ES Action), (ii) any Net Cash Proceeds from the sale or disposition of Remaining Other Assets or otherwise, including Net Cash Litigation Recoveries and other funds in the Post-Confirmation Accounts, and (iii) any repayment of a post-Confirmation Date intercompany payable, shall be applied in the following order of priority until exhausted:

(1) First, to payment of, or, in the discretion of the Liquidating Trustee, reserve for its Pro Rata share of repayments owing with respect to Lehman Post-Confirmation Funding;

(2) Second, to payment of, or, in the discretion of the Liquidating Trustee, reserve for the direct Post-Confirmation Expenses of such Estate and its Pro Rata share of unpaid Post-Confirmation Expenses commonly allocable among it and other Plan Debtors (not including any repayment of post-Confirmation Date intercompany payables);

(3) Third, to repayment of any post-Confirmation Date intercompany payables of such Estate;

(4) Fourth, to any of such Estate's due and payable Allowed Administrative Claims, Allowed Tax Claims, and Allowed Priority Claims;

(5) Fifth, to pay or, in the discretion of the Liquidating Trustee, reserve for unpaid Post-Confirmation Expenses of other Debtors and their share of repayments owing with respect to Lehman Post-Confirmation Funding (to be booked upon use as a receivable to the advancing Estate and as a payable by the borrowing Estate);

(6) Sixth, to pay, in the discretion of the Liquidating Trustee, an accelerated payment for Tax Claims; and

(7) Seventh, as Residual Cash to the Holders of Allowed Claims in Class 7 and Class 8 under the Plan;

(d) Funds that Constitute Both ES Litigation Proceeds and a Project Related Action Recovery With Respect to a Cross-Collateralization Judgment.

ES Litigation Proceeds of a particular Estate that also are a Project Related Action Recovery of such Estate with respect to a Cross-Collateralization Judgment, shall be applied in the following order of priority until exhausted:

(1) First, to payment of the ES Litigation Loan;

(2) Second, to payment of, or, in the discretion of the Liquidating Trustee, reserve for the particular Estate's Pro Rata share of repayments owing with respect to Lehman Post-Confirmation Funding;

(3) Third, to payment of, or, in the discretion of the Liquidating Trustee, reserve for the direct Post-Confirmation Expenses of such Estate and its Pro Rata share of unpaid Post-Confirmation Expenses commonly allocable among it and other Plan Debtors (not including any repayment of post-Confirmation Date intercompany payables);

(4) Fourth, to repayment of any post-Confirmation Date intercompany payables of such Estate;

(5) Fifth, to any of such Estate's due and payable Allowed Administrative Claims, Allowed Tax Claims, and Allowed Priority Claims;

(6) Sixth, to pay or, in the discretion of the Liquidating Trustee, reserve for unpaid Post-Confirmation Expenses of other Debtors and their share of repayments owing with respect to Lehman Post-Confirmation Funding (to be booked upon use as a receivable to the advancing Estate and as a payable by the borrowing Estate);

(7) Seventh, to such Estate's Holders of Allowed Non-Settled ES Claims entitled to the ES Litigation Proceeds pursuant to the terms of the ES Final Judgment until paid the full amount of their Allowed ES Claims;

(8) Eighth, to the Estates of other Holders of Allowed ES Claims entitled to the ES Litigation Proceeds pursuant to the terms of the ES Final Judgment, if any, payable Pro Rata among such Estates based upon their entitled and Allowed ES Claims not paid from their Estate's own Assets, first to pay such Estate's share of repayments owing with respect to Lehman Post-Confirmation Funding and next to pay such Allowed ES Claims until paid in full; and

(9) Ninth, as Residual Cash to the Holders of Allowed Claims in Class 7 and Class 8 under the Plan; and

(e) **Funds that May Later be Determined to be Both ES Litigation Proceeds and Project Related Action Recovery With Respect to a Cross-Collateralization Judgment.**

Funds that presently are known to be either, but not yet both, ES Litigation Proceeds of a particular Estate or a Project Related Action Recovery with respect to a Cross-Collateralization Judgment, which potentially could also become the other upon Conclusion of the relevant, pending Project Related Action, shall be applied in the following order of priority until exhausted:

- (1) First, reserved for payment of the ES Litigation Loan;
- (2) Second, to payment of, or, in the discretion of the Liquidating Trustee, reserve for the particular Estate's Pro Rata share of repayments owing with respect to Lehman Post-Confirmation Funding;
- (3) Third, to payment of, or, in the discretion of the Liquidating Trustee, reserve for the direct Post-Confirmation Expenses of such Estate and its Pro Rata share of unpaid Post-Confirmation Expenses commonly allocable among it and other Plan Debtors (not including any repayment of post-Confirmation Date intercompany payables);
- (4) Fourth, to repayment of any post-Confirmation Date intercompany payables of such Estate;
- (5) Fifth, to be reserved and applied upon Conclusion of the relevant, pending Project Related Action in accordance with the above-described priorities of distribution.

7.11.3 Allocations and Distributions Under this Section.

For purposes of this Section 7.10.3(b)(ii) of the Plan, in calculating the amount of Allowed ES Claims not paid from an Estate's own Assets for a distribution of ES Litigation Proceeds pursuant to the Lehman Plan, the Liquidating Trustee may ignore future expected or possible recoveries, but upon such later recoveries occurring for such Estates, the Liquidating Trustee shall recalculate the prior distribution and adjust the amount of the later distribution to ensure that the aggregate distributions are correct among entitled Holders of Allowed ES Claims.

7.12 Plan Release.

In exchange for the extension of credit represented by the additional Lehman Post-Confirmation Funding, the ES Settlement Offer and the delayed satisfaction of the Secured Claims

1 of the Lehman Related Parties, as of the Effective Date, the Estate of each Plan Debtor, on behalf of
2 itself and its Affiliates exclusive of other Debtors in these Cases shall be deemed to
3 unconditionally, irrevocably and generally release, acquit and forever discharge, waive and
4 relinquish:

5 (a) any and all causes of action, actions, rights of action, suits,
6 judgments, liens, indebtedness, damages, losses, claims, liabilities, obligations, attorneys' fees,
7 costs, expenses and demands of every kind and character, whether known or unknown, suspected or
8 unsuspected, disclosed or undisclosed, including without limitation any Litigation Claims, whether
9 for damages, subordination or other remedies, and including any and any objections or defenses to
10 Lehman Related Party's Claims, Liens, rights, or causes of action, from and against all Lehman
11 Releasees, or any of them, and their subsidiaries and their respective officers, directors, employees,
12 agents, predecessors, successors, assigns, representatives, attorneys and other professionals, or their
13 property; except

14 (b) the following are not released, to the extent indicated:

15 (i) Avoidance Actions timely Filed and Filed no later than
16 sixty (60) days following the Effective Date other than to the extent of Cross-Collateralization
17 Claims; and

18 (ii) with respect to (1) all Equitable Subordination Claims in
19 the ES Action and (2) those Cross-Collateralization Claims identified in the Debtors' Third
20 Amended Disclosure Statement and asserted in a Cross-Collateralization Action (*i.e.*, an Avoidance
21 Action against a Lehman Related Party that relates to a Cross-Collateralization Claim that is timely
22 Filed and Filed no later than sixty (60) days following the Effective Date), each owner of each PRA
23 Security Project shall have a non-recourse obligation to reconvey each PRA Security Project to the
24 Liquidating Trustee if required by a Project Related Action Recovery (in the form of an ES Final
25 Judgment or a Cross-Collateralization Final Judgment), which obligation shall be secured by the
26 PRA Recovery Security Pool and, at a Lehman Nominee's election, instead may be satisfied by a
27 Cash payment to the applicable Estate(s) in the amount of any Project Related Action Recovery.

28 The releases given above include an express, informed, knowing and voluntary waiver and

1 relinquishment to the fullest extent permitted by law of rights under Section 1542 of the California
2 Civil Code, which reads as follows, and under any similar or comparable laws anywhere in the
3 world:

4 **A general release does not extend to claims which the creditor does not know or**
5 **suspect to exist in his favor at the time of executing the release, which if known by him must**
6 **have materially affected his settlement with the debtor.**

7 While the Confirmation Order, without more, shall effectuate the release, waiver and
8 relinquishment described or referenced in this section for the Lehman Releasees in accordance
9 herewith, the Lehman Releasees also shall be entitled to issuance of a separate written release,
10 waiver and relinquishment by the Liquidating Trustee in a form acceptable to the Lehman Lenders
11 and Liquidating Trustee or as reasonably proposed by the Lehman Lenders and approved by the
12 Bankruptcy Court at or after the hearing on confirmation of the Lehman Plan.

13 **7.13 Entry of Final Decrees.**

14 The Liquidating Trustee shall cause the entry of a final decree in the Case of each Estate of
15 a Plan Debtor at the earliest reasonable opportunity therefor. Such final decrees may be sought and
16 entered individually for each Case.

17 **7.14 Dissolution of Committees and Discharge of Trustee and Liquidating Trustee.**

18 The Trustee, in his capacity as such, shall be discharged upon the Effective Date and his
19 bond may be exonerated. The Liquidating Trustee and Committee shall be discharged upon
20 consummation of the Lehman Plan and the entry of a final decree in each Case or as otherwise
21 ordered by the Court.

22 **VIII.**

23 **DISTRIBUTIONS**

24 **8.1 Distribution Agent.**

25 The Liquidating Trustee shall serve as the Distribution Agent for distributions due under the
26 Lehman Plan. The Distribution Agent may employ one or more sub agents on such terms and
27 conditions as it may agree in its discretion and pay such subagent as a Post-Confirmation Expense
28 from the Post-Confirmation Accounts. The Distribution Agent shall not be required to provide any

bond in connection with the making of any Distributions pursuant to the Lehman Plan.

8.2 Distributions.

(a) Dates of Distributions.

Any distribution required to be made on the Effective Date shall be deemed timely if made as soon as practicable after such date and, in any event, within thirty (30) days after such date. Any distribution required to be made upon a Disputed Claim becoming an Allowed Claim and no longer being a Disputed Claim shall be deemed timely if made as soon as practicable thereafter.

(b) Limitation on Liability.

Neither the Lehman Related Parties, the Lehman Nominees, the Liquidating Trustee, their Affiliates, nor any of their employees, members, officers, directors, agents, attorneys or other professionals shall be liable for (i) any acts or omissions (except for gross negligence or willful misconduct) in connection with implementing the Distribution provisions of the Lehman Plan and the making or withholding of Distributions pursuant to the Lehman Plan, or (ii) any change in the value of Distributions made pursuant to the Lehman Plan resulting from any delays in making such Distributions in accordance with the Lehman Plan's terms (including but not limited to any delays caused by the resolution of Disputed Claims).

8.3 Old Instruments and Securities.

(a) Surrender and Cancellation of Instruments and Securities.

As a condition to receiving any distribution pursuant to the Lehman Plan in respect of a Claim, each Person holding any note or other instrument or security evidencing such Claim must surrender such instrument or security to the Distribution Agent, if requested.

(b) Cancellation of Liens.

Except as otherwise provided in the Lehman Plan, any Lien securing any Secured Claim shall be deemed released and discharged, and the Person holding such Secured Claim shall be authorized and directed to release any collateral or other property of the Liquidating Trustee (including, without limitation, any Cash Collateral) held by such Person and to take such actions as may be requested by the Liquidating Trustee to evidence the release of such Lien, including, without limitation, the execution, delivery and Filing or recording of such releases as may be

requested by the Liquidating Trustee.

8.4 De Minimis Distributions and Fractional Shares.

No Cash payment of less than ten dollars (\$10) shall be made by the Liquidating Trustee to any Holder of Claims unless a request therefor is made in writing to the Liquidating Trustee.

Whenever payment of a fraction of a cent would otherwise be called for, the actual payment shall reflect a rounding down of such fraction to the nearest whole cent. Any Cash or other property that is not distributed as a consequence of this section shall, after the last distribution on account of Allowed Claims in the applicable Class, be treated as "Unclaimed Property" under the Lehman Plan.

8.5 Delivery of Distributions.

Except as provided in the Lehman Plan with respect to Unclaimed Property, distributions to Holders of Allowed Claims and Allowed Administrative Claims shall be distributed by mail as follows: (1) with respect to each Holder of an Allowed Claim that has Filed a Proofs of Claim, at the address for such Holder as maintained by the official claims agent for the Plan Debtors; (2) with respect to each Holder of an Allowed Claim that has not Filed a Proofs of Claim, at the address reflected on the Schedules Filed by the Plan Debtors, provided, however, that if the Plan Debtors or the Liquidating Trustee has received a written notice of a change of address for such Holder, the address set forth in such notice shall be used; or (3) with respect to each Holder of an Allowed Administrative Claim, at such address as the Holder may specify in writing.

8.6 Unclaimed Property.

If either (1) the Distribution of Cash to the Holder of any Allowed Claim is returned to the Liquidating Trustee (*e.g.*, as undeliverable) and the check or other similar instrument or distribution remains unclaimed for one hundred twenty (120) days from sending or (2) the check or other similar instrument used for the Distribution to the Holder of any Allowed Claim remains uncashed for one hundred twenty (120) days from sending; or (3) the Liquidating Trustee does not have an address for a Holder of any Allowed Claim on the date such Distribution first could have been made under the Lehman Plan and for one hundred twenty (120) days thereafter, then such applicable Distribution shall be Unclaimed Property under the Lehman Plan and the Liquidating

Trustee shall be relieved of making such Distribution or any further Distribution to such Holder of such Allowed Claim unless and until the Liquidating Trustee is notified in writing of the then current address of such Holder of an Allowed Claim. Subject to the remainder of this Section and the following section, Unclaimed Property shall remain in the possession of the Liquidating Trustee pursuant to this Section, and shall be set aside and (in the case of Cash) held in a segregated, interest bearing account to be maintained by the Distribution Agent until such time as the subject Distribution becomes deliverable. Nothing contained in the Lehman Plan shall require the Liquidating Trustee or any other Person to attempt to locate the Holder of an Allowed Claim as to which there is Unclaimed Property.

8.7 Disposition of Unclaimed Property.

If the Person entitled thereto notifies the Liquidating Trustee of such Person's Claim to a Distribution of Unclaimed Property within ninety (90) days following such Person's initial Distribution Date, the Unclaimed Property distributable to such Person, together with any interest or dividends earned thereon, shall be paid or distributed to such Person as soon as practical. Any Holder of an Allowed Claim that does not assert a Claim in writing for Unclaimed Property held by the Liquidating Trustee within ninety (90) days after the Holders' initial Distribution Date shall no longer have any Claim to or Interest in such Unclaimed Property, and shall be forever barred from receiving any Distributions under the Lehman Plan or otherwise from the Liquidating Trustee. In such cases, any property held for Distribution on account of such Claims shall become Available Cash and deposited into the Post-Confirmation Account of the Plan Debtor's Estate against which the applicable Allowed Claim was asserted.

IX.

OBJECTIONS TO CLAIMS AND DISPUTED CLAIMS

9.1 Standing for Objections to Claims.

The Liquidating Trustee and Lehman Lenders shall have the sole and exclusive right to File and resolve for the Estates objections to Claims and their status as ES Claims (provided, however, that the Lehman Lenders shall not be allowed to resolve for the Estates objections to Claims of any Lehman Related Party). Any objection to a Claim, including an objection to a Bond Obligation in

1 favor of a Bond Issuer under Bankruptcy Code section 502(e), or any objection to a Claim's status
2 as an ES Claim shall be Filed with the Bankruptcy Court and served on the Person holding such
3 Claim on or before the applicable Claims Objection Deadline, except as provided in the Lehman
4 Plan.

5 **9.2 Treatment of Disputed Claims.**

6 **(a) No Distribution Pending Allowance.**

7 If any portion of a Claim is a Disputed Claim, no payment or distribution provided for under
8 the Lehman Plan shall be made on account of such Claim unless expressly provided hereunder or
9 unless and until such Claim becomes an Allowed Claim. Except as expressly provided in the
10 Lehman Plan, Holders of Disputed Claims, pending their allowance, shall forbear from
11 enforcement of the rights entitled to them under the Lehman Plan for their Claims were they
12 Allowed Claims; provided that if the Claim is a Secured Claim, the Creditor may seek adequate
13 protection for its Claim from the Bankruptcy Court. A Claim that has not been Allowed by a Final
14 Order of the Bankruptcy Court and as to which the objection deadline has not passed, including as
15 to its status as an ES Claim, may be treated by the Liquidating Trustee as a Disputed Claim and,
16 absent the agreement of the Lehman Lenders, the Liquidating Trustee shall so treat any such
17 Secured Claim not expressly Allowed under the Lehman Plan and any ES Claim to which a
18 payment otherwise would be due under subparagraph (c) of Sections 5.8 of the Lehman Plan.

19 **(b) Distribution After Allowance.**

20 On the next Distribution Date following the date on which a Disputed Claim becomes an
21 Allowed Claim and is no longer a Disputed Claim, the Distribution Agent shall distribute to the
22 Person holding such Claim any Cash that would have been distributable to such Person if on the
23 initial Distribution Date such Claim had been an Allowed Claim and not a Disputed Claim.

24 **(c) Reserves for Disputed Claims.**

25 In the event that Disputed Claims are pending, the Liquidating Trustee shall establish
26 reasonable reserves, including the Plan Reserve for such Disputed Claims. The Distribution Agent
27 may move the Bankruptcy Court for approval of its determination to reserve certain amounts.
28

X.

EXECUTORY CONTRACTS AND UNEXPIRED LEASES

10.1 Executory Contracts Potentially Being Assumed.

The Lehman Proponents may File and/or amend or modify on or prior to the Confirmation Date an **Exhibit "A"** to the Lehman Plan containing a list of contracts and leases. The Liquidating Trustee shall assume, assume and assign or reject the executory contracts and unexpired leases on **Exhibit "A"** to the Lehman Plan no later than (a) forty-five (45) days following the last auction under the Lehman Plan Sale Procedures if the subject contract or lease is not related to a particular Project or Projects and (b) forty-five (45) days following the last sale or conveyance by the Liquidating Trustee (voluntary or involuntary) of the related Project(s) if the subject contract or lease relates to a particular Project or Projects. The Lehman Lenders may add any executory contract or unexpired leases to these exhibits or delete any contract or lease therefrom up to and including the Confirmation Date.

10.2 Executory Contracts Being Rejected.

All executory contracts and unexpired leases of the Plan Debtors' Estates not listed on **Exhibit "A"** to the Lehman Plan, as is or as amended prior to the Confirmation Date, and not previously rejected, are rejected under the Lehman Plan as of the Confirmation Date. All executory contracts and unexpired leases of the Plan Debtors' Estates that are listed on **Exhibit "A"** to the Lehman Plan that are not assumed or assumed and assigned within the deadlines set forth in the Plan are automatically rejected after such deadline has expired.

10.3 Retention of Property Rights by Lehman Nominees or Liquidating Trustee.

To the extent that a matter that provides the Plan Debtors or their Estates with property rights does not constitute an executory contract or unexpired lease, or the Plan Debtors have obtained property rights under the executed portion of an executory contract or unexpired lease, rejection shall not constitute an abandonment by the Plan Debtors, the Lehman Nominees or the Liquidating Trustee of any such property rights.

10.4 Bar Date for Rejection Damages.

Any Claim arising out of the rejection of an executory contract or unexpired lease shall be

1 forever barred and shall not be enforceable against the Plan Debtors, their Estates, the Liquidating
2 Trustee, their Affiliates, their successors, or their properties, and shall not be entitled to any
3 distribution under the Lehman Plan, unless a Proof of Claim for such Claim is timely Filed and
4 served. For rejections occurring prior to Confirmation, such Claims must have been Filed by the
5 later of March 31, 2009 or thirty (30) days following the date of entry of the order of the
6 Bankruptcy Court approving rejection. For Claims related to executory contracts or unexpired
7 leases not listed on **Exhibit "A"** to the Lehman Plan that are rejected under the Plan, such Claim
8 must have been Filed and served on the Plan Debtors (if before the Effective Date) or the
9 Liquidating Trustee and Lehman Creditors (if after the Effective Date) within thirty (30) days after
10 the Confirmation Date. For Claims related to executed contracts or unexpired leases listed on
11 **Exhibit "A"** to the Lehman Plan that are rejected under or in accordance with the Plan, such Claim
12 must have been Filed and served on the Liquidating Trustee and Lehman Creditors within thirty
13 (30) days after receipt by the non-debtor party to the contract or lease of a notice of the rejection of
14 the contract or lease.

15 **XI.**

16 **EFFECT OF CONFIRMATION OF THE PLAN**

17 Except as otherwise expressly provided in the Lehman Plan, the documents executed
18 pursuant to the Lehman Plan, or the Confirmation Order, on and after the Effective Date, all
19 Persons and Entities who have held, currently hold, or may hold a debt, Claim, or Interest against
20 the Plan Debtors (including but not limited to States and other governmental units, and any State
21 official, employee, or other entity acting in an individual or official capacity on behalf of any State
22 or other governmental units) shall be permanently enjoined from: (a) taking any of the following
23 actions on account of any such debt, Claim, or Interest: (1) commencing or continuing in any
24 manner any action or other proceeding against the Plan Debtors and the Liquidating Trustee, their
25 successors, or their property; (2) enforcing, attaching, executing, collecting, or recovering in any
26 manner any judgment, award, decree, or order against the Plan Debtors or the Liquidating Trustee,
27 their successors, or their property; (3) creating, perfecting, or enforcing any Lien or encumbrance
28 against the Plan Debtors or the Liquidating Trustee, their successors, or their property; (4) asserting

any set off, right of subrogation, or recoupment of any kind against any obligation due the Plan Debtors or the Liquidating Trustee, their successors, or their property; and (5) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Lehman Plan; (b) challenging the distributions to be effected by, or the classification of Claims or Interests set forth in, the Plan, except as expressly provided in and permitted by the Plan and (c) taking any of the following actions on account of any claims or rights of action that are revested in, or transferred to, the Liquidating Trustee as of the Effective Date or under the Lehman Plan (to the extent one or more Plan Debtors' Estates first held such claim or rights of action or held the right to assert such claim or right of action after the Petition Date), including, without limitation: (1) asserting such claims or rights of action against nondebtor third parties; and (2) commencing or continuing in any manner any action or other proceeding of any kind with respect to such claims or rights of action. Any person or entity injured by any willful violation of such injunction shall recover actual damages, including costs and attorneys' fees, and, in appropriate circumstances, may recover punitive damages from the willful violator.

XII.

LIMITATION OF LIABILITY

12.1 No Liability for Solicitation or Participation.

As specified in Section 1125(e) of the Bankruptcy Code, entities that solicit acceptances or rejections of the Lehman Plan and/or that participate in the offer, issuance, sale, or purchase of securities offered or sold under the Lehman Plan, in good faith and in compliance with the applicable provisions of the Bankruptcy Code, shall not be liable, on account of such solicitation or participation, for violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Lehman Plan or the offer, issuance, sale, or purchase of securities.

12.2 Limitation of Liability.

Effective as of the Effective Date, none of the Liquidating Trustee, the Lehman Related Parties or their respective Affiliates, nor any of their respective members, officers, directors, employees and other agents, advisors, attorneys and accountants shall have or incur any liability to any Holder of any Claim or Interest or any other Person for any act or omission in connection with

or arising out of the negotiation, preparation and pursuit of confirmation of the Lehman Plan, the Lehman Disclosure Statement, the consummation of the Lehman Plan, the administration of the Lehman Plan, the Cases or the property to be distributed under the Lehman Plan except: (a) the Liquidating Trustee shall be liable contractually for the performance of obligations assumed or imposed under or by the Lehman Plan; (b) for liability based on willful misconduct as finally determined by a Final Order of the Bankruptcy Court; and (c) for gross negligence in connection with implementing the Distribution provisions of the Lehman Plan and the making or withholding of Distributions pursuant to the Lehman Plan. Each of the Liquidating Trustee, Lehman Related Parties and their respective Affiliates, and each of their respective officers, directors, employees and other agents, advisors, attorneys and accountants) shall be entitled to rely, in every respect, upon the advice of counsel with respect to their duties and responsibilities under or with respect to the Lehman Plan.

XIII.

CONDITIONS TO CONFIRMATION AND EFFECTIVENESS OF THE PLAN

13.1 Conditions Precedent to Plan Confirmation.

The condition precedent to Confirmation is the Bankruptcy Court's entry of the Confirmation Order.

13.2 Conditions Precedent to Plan Effectiveness.

The following shall be conditions precedent to the effectiveness of the Lehman Plan and the occurrence of the Effective Date.

(a) The Confirmation Order shall be a Final Order in form and substance reasonably satisfactory to the Lehman Lenders.

(b) All agreements and instruments contemplated by, or to be entered into pursuant to, the Lehman Plan, including, without limitation, each of the Plan Documents necessary for consummation of the Lehman Plan, shall have been duly and validly executed and delivered by the parties thereto and all conditions to their effectiveness shall have been satisfied or waived other than the occurrence of the Effective Date.

XIV.

RETENTION OF JURISDICTION

Notwithstanding the entry of the Confirmation Order or the occurrence of the Effective Date, the Bankruptcy Court shall not be limited under the Plan and the Bankruptcy Court's jurisdiction shall apply to the fullest extent possible under applicable law.

XV.

MODIFICATION OR WITHDRAWAL OF PLAN

15.1 Modification of Plan.

At any time prior to confirmation of the Lehman Plan, the Lehman Lenders may supplement, amend or modify the Lehman Plan. After confirmation of the Lehman Plan, the Lehman Lenders or Liquidating Trustee with the consent of the Lehman Lenders may (x) apply to the Bankruptcy Court, pursuant to Section 1127 of the Bankruptcy Code, to modify the Lehman Plan; and (y) apply to the Bankruptcy Court to remedy defects or omissions in the Lehman Plan or to reconcile inconsistencies in the Lehman Plan.

15.2 Nonconsensual Confirmation.

In the event that any impaired Class of Claims or Interests shall fail to accept the Lehman Plan in accordance with Section 1129(a)(8) of the Bankruptcy Code, Lehman Lenders (i) may request that the Bankruptcy Court confirm the Lehman Plan in accordance with Section 1129(b) of the Bankruptcy Code, and (ii) in accordance with the Lehman Plan, and may modify the Lehman Plan in accordance with Section 1127(a) of the Bankruptcy Code.

XVI.

MISCELLANEOUS

16.1 Changes in Rates Subject to Regulatory Commission Approval.

The Plan Debtors are not subject to governmental regulatory commission approval of their rates.

16.2 Payment of Statutory Fees.

All quarterly fees due and payable to the Office of the United States Trustee pursuant to Section 1930(a)(6) of Title 28 of the United States Code with respect to the Plan Debtors shall be

1 paid in full on or before the Effective Date, or, to the extent such quarterly fees are disputed, an
2 adequate reserve shall have been established and set aside for payment in full thereof, as required
3 by Section 1129(a)(12) of the Bankruptcy Code. The Liquidating Trustee shall remain responsible
4 for timely payment of quarterly fees due and payable after the Effective Date with respect to the
5 Plan Debtors until each applicable Plan Debtor's Case is closed, to the extent required by Section
6 1930(a)(6) of Title 28 of the United States Code.

7 **16.3 Payment Dates.**

8 Whenever any payment or distribution to be made under the Lehman Plan shall be due on a
9 day other than a Business Day, such payment or distribution shall instead be made, without interest,
10 on the immediately following Business Day.

11 **16.4 Headings.**

12 The headings used in the Lehman Disclosure Statement and in the Lehman Plan are inserted
13 for convenience only and neither constitutes a portion of the Lehman Disclosure Statement or the
14 Lehman Plan nor in any manner affect the construction of the provisions of the Lehman Disclosure
15 Statement or the Lehman Plan.

16 **16.5 Other Documents and Actions.**

17 The Liquidating Trustee may execute such other documents and take such other actions as
18 may be necessary or appropriate to effectuate the transactions contemplated under the Lehman
19 Plan.

20 **16.6 Notices.**

21 All notices and requests in connection with the Lehman Disclosure Statement and the
22 Lehman Plan shall be in writing and shall be hand delivered or sent by mail addressed to:

23 Edward Soto, Esq.
24 Nellie P. Camerick, Esq.
25 Weil, Gotshal & Manges LLP
1395 Brickell Avenue
Suite 1200
26 Miami, FL 33131

27 and

28 Shai Y. Waisman, Esq.

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, NY 10153-0119

With copies to:

Dean A. Ziehl, Esq.
Pachulski Stang Ziehl & Jones LLP
10100 Santa Monica Blvd., 11th Fl.
Los Angeles, CA 90067

All notices and requests to any Person holding of record any Claim or Interest shall be sent to them at their last known address or to the last known address of their attorney of record. Any such Person may designate in writing any other address for purposes of this Section, which designation will be effective on receipt.

16.7 Governing Law.

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules), the laws of the State of California (without reference to its conflict of law rules) shall govern the construction and implementation of the Lehman Plan and any agreements, documents, and instruments executed in connection with the Lehman Plan, unless otherwise specifically provided in such agreements, documents, or instruments.

16.8 Binding Effect.

This Plan and all rights, duties and obligations thereunder shall be binding upon and inure to the benefit of the Lehman Creditors, the Plan Debtors, the Liquidating Trustee, Holders of Claims, Holders of Interests, and their respective successors and assigns.

16.9 Successors and Assigns.

The rights, benefits, and obligations of any entity named or referred to in the Lehman Plan shall be binding on, and shall inure to the benefit of, the heirs, executors, administrators, successors, and assigns of such entity.

16.10 Severability of Plan Provisions.

If, prior to the Confirmation Date, any term or provision of the Lehman Plan is held by the Bankruptcy Court to be illegal, impermissible, invalid, void or unenforceable, or otherwise to constitute grounds for denying confirmation of the Lehman Plan, the Bankruptcy Court shall, with the consent of the Lehman Proponents, have the power to interpret, modify or delete such term or

1 provision (or portions thereof) to make it valid or enforceable to the maximum extent practicable,
2 consistent with the original purpose of the term or provision held to be invalid, void or
3 unenforceable, and such term or provision shall then be operative as interpreted, modified or
4 deleted. Notwithstanding any such interpretation, modification or deletion, the remainder of the
5 terms and provisions of the Lehman Plan shall in no way be affected, impaired or invalidated by
6 such interpretation, modification or deletion.

7 **16.11 No Waiver.**

8 The failure of the Plan Debtors, Liquidating Trustee, Committee or Lehman Lenders or any
9 other Person to object to any Claim for purposes of voting shall not be deemed a waiver of the
10 Committee(s)', the Plan Debtors', the Liquidating Trustee's or the Lehman Lenders' right to object
11 to or examine such Claim, in whole or in part.

12 **16.12 Inconsistencies.**

13 In the event the terms or provisions of the Lehman Disclosure Statement are inconsistent
14 with the terms and provisions of the Lehman Plan or documents executed in connection with the
15 Lehman Plan, the terms of the Lehman Plan shall control.

16 **16.13 Exemption from Certain Transfer Taxes and Recording Fees.**

17 Pursuant to Section 1146(c) of the Bankruptcy Code, any transfers from a Plan Debtor or its
18 Estate to the Liquidating Trustee or to any other Person or entity pursuant to the Lehman Plan, or
19 any agreement regarding the transfer of title to or ownership of any of the Plan Debtors' real or
20 personal property or of any other interest in such property (including, without limitation, a security
21 interest), including, without limitation, transfers or sales pursuant to the Lehman Plan Sale
22 Procedures or Reconveyance Agreements will not be subject to any document recording tax, stamp
23 tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax,
24 mortgage recording tax, Uniform Commercial Code filing or recording fee, or other similar tax or
25 governmental assessment, and the Confirmation Order will direct the appropriate state or local
26 governmental officials or agents to forego the collection of any such tax or governmental
27 assessment and to accept for filing and recordation any of the foregoing instruments or other
28 documents without the payment of any such tax or governmental assessment.

16.14 Post-Confirmation Status Report.

By the earlier of 180 days following the entry of the Confirmation Order a status report shall be Filed with the Court explaining what progress has been made toward consummation of the confirmed Plan, which report shall be Filed by the Liquidating Trustee, if the Effective Date occurs with 120 days following the entry of the Confirmation Order and, otherwise, by the Lehman Lenders. The status report shall be served on the United States Trustee, the list of twenty largest unsecured creditors Filed by the Debtors or Trustee for the jointly administered Cases of the Debtors, the Lehman Creditors, the Liquidating Trustee and those parties who have requested special notice. Unless otherwise ordered, further status reports shall be Filed every 180 days and served on the same entities.

16.15 Post-Confirmation Conversion/Dismissal.

A creditor or party in interest may bring a motion to convert or dismiss any Case of a Plan Debtor under § 1112(b), after the Lehman Plan is confirmed, if there is a default in performing the Lehman Plan, subject to the right of any party in interest to object to such motion. If the Court orders any of the Cases converted to Chapter 7 after the Lehman Plan is confirmed, then all property that had been property of the chapter 11 Estate, and that has not been disbursed pursuant to the Lehman Plan, will revert in the Chapter 7 estate. The automatic stay will be reimposed upon the reverted property, but only to the extent that relief from stay was not previously authorized by the Court during this case.

16.16 Final Decree.

Once a Plan Debtor's Estate has been fully administered, as referred to in Bankruptcy Rule 3022, the Liquidating Trustee, or other party as the Court shall designate in the Confirmation Order, shall File a motion with the Court to obtain a final decree to close the Case of such Plan Debtor.

1 Dated: October 13, 2009

PACHULSKI STANG ZIEHL & JONES LLP

2
3 By /s/ Robert B. Orgel

Dean A. Ziehl (CA Bar No. 84529)

E-mail: dziehl@pszjlaw.com

Robert B. Orgel (CA Bar No. 101875)

E-mail: rorgel@pszjlaw.com

Attorneys for Lehman Commercial Paper

Inc., Lehman ALI, Inc., Northlake

Holdings LLC and OVC Holdings LLC

PACHULSKI STANG ZIEHL & JONES LLP
ATTORNEYS AT LAW
LOS ANGELES, CALIFORNIA

EXHIBIT A

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Exhibit "A"

List of Contracts and Leases

[TO BE FILED]

EXHIBIT B

Exhibit "B"

**NAME OF PROJECT
AND ITS OWNER**

DESCRIPTION

1. Ritter Ranch Project; Palmdale Hills
(Voluntary Debtor)

Palmdale Hills owns the Ritter Ranch Project. The Ritter Ranch Project consists of a 10,625 acre site situated in the City of Palmdale, in Los Angeles County, California. Grading of the first phase is complete with master infrastructure nearly 90% complete. The specific plan and the development agreement were approved in 1992 and allow for the development of up to 7,200 residential units. A vesting tentative parcel map consisting of 42 parcels has been processed and was recorded in 1995. Additionally, six vesting tentative tract maps totaling 553 lots were approved by the city in December 1995. All regulatory permits have been received.

Palmdale Hills also owns personal property in the form of cash in the amount of approximately \$21 million and the Palmdale Hills CFD Bonds.
2. Acton Project; Acton Estates
(Voluntary Debtor)

Action Estates owns the Acton Project consisting of a 175-acre site situated in Los Angeles County, California. The Acton Project is surrounded by mostly equestrian properties and light agricultural vacant land. The Acton Project is expected to consist of 136 units.
3. Beaumont Heights Project; SunCal
Beaumont (Voluntary Debtor)

SunCal Beaumont owns the Beaumont Heights Project, that originally consisted of a 1,191-acre site situated in the City of Beaumont, in Riverside County, California. The property is currently designated as low density residential use -rural residential use. The City of Beaumont is in the process of amending the general plan, preparing an environmental impact report and annexing the assemblage. The specific plan and tentative tract map are in the drafting stage. The Beaumont Heights Project was expected to consist of 1,203 units. A portion of the Beaumont Heights Project has been lost through foreclosure sales completed prior to the Petition Date.

**NAME OF PROJECT
AND ITS OWNER**

DESCRIPTION

- | | | |
|----|---|---|
| 4. | Bickford Ranch Project; SunCal Bickford
(Voluntary Debtor) | SunCal Bickford owns the Bickford Ranch Project, consisting of a 1,940-acre site situated in the City of Penryn, in Placer County, California. The Bickford Ranch Project is fully entitled with an approved large lot tentative map, small lot tentative map, specific plan, design guidelines, development standards, and a development agreement. The offsite water and sewer improvements are mostly complete. Improvement plans for major roads and in-tract improvements were in process of being completed and a memorandum of understanding between the City and County for the regional sewer pipeline was in process. The Bickford Ranch Project is expected to consist of 2,105 units. |
| | | SunCal Bickford owns personal property in the approximate amount of \$2,305,523 in the form of cash. |
| 5. | Emerald Meadows Project; SunCal Emerald
(Voluntary Debtor) | SunCal Emerald owns the Emerald Meadows Project, consisting of a 178-acre site situated in the City of Rubidoux, in Riverside County, California. The specific plan, general plan and the environmental impact report were approved in October 2005. The tentative tract map & final map were in process. The Emerald Meadows Project is expected to consist of 1,002 units. |
| 6. | Johannson Ranch Project; SunCal Johannson
(Voluntary Debtor) | SunCal Johannson owns the Johannson Ranch Project, consisting of a 501-acre site in the City of Modesto, in Stanislaus County, California. Tentative maps were in the process of being prepared. Engineering plans and preparation of the draft specific plan were commenced prior to the filing of the Debtors' Cases. The SunCal Johannson Project is expected to consist of 921 units. |

**NAME OF PROJECT
AND ITS OWNER**

DESCRIPTION

- | | | |
|----|--|---|
| 7. | Summit Valley Project; SunCal Summit Valley, Kirby Estates, Seven Brothers (Voluntary Debtors) | SunCal Summit Valley, Kirby Estates and Seven Brothers each own portions of the Summit Valley Project that originally consisted of a 2,500-acre site situated in the City of Hesperia, in San Bernardino County, California. The City of Hesperia's general plan allows for low density residential development. SunCal Summit Valley anticipated approximately 2.5 lots per acre over the entire assemblage. Most of the technical studies for the environmental impact report were completed. The Summit Valley Project was previously expected to consist of 6,023 units. A part of the Summit Valley Project has been lost through foreclosure proceedings completed prior to the Petition Date. Seven Brothers owned 900 acres of the Summit Valley Project, a portion of which has been lost through foreclosure proceedings completed prior to the Petition Date. Kirby Estates owns 27 acres of the Summit Valley Project. (SunCal Summit Valley is the Holder of the Allowed Interests in Seven Brothers and Kirby Estates.) |
| 8. | Joshua Ridge Project; SCC Communities (Voluntary Debtor) | SCC Communities owns the Joshua Ridge Project, consisting of an 80-acre site situated in the City of Victorville in San Bernardino County, California. The Joshua Ridge Project was slated to be sold to the city and the city was scheduled to use the land to build a park or a school. |
| 9. | Tesoro Project; Tesoro (Voluntary Debtor) | Tesoro owns the Tesoro Project consisting of a 185-acre site situated in the City of Santa Clarita in Los Angeles County, California. The existing entitlements include a tentative tract map approved by the planning commission, which allows for 45 lots. |

	<u>NAME OF PROJECT AND ITS OWNER</u>	<u>DESCRIPTION</u>
10.	Delta Coves Project; Delta Coves (Trustee Debtor)	Delta Coves owns the Delta Coves Project consisting of a 310-acre site which is located on Bethel Island within Contra Costa County. The Delta Coves Project is expected to consist of 494 waterfront residential lots, some of which will be condominiums/townhomes and some of which will contain private boat docks. The Delta Coves Project is expected to include an interior lagoon that will provide direct boating access to San Joaquin River Delta.
11.	Heartland Project; SunCal Heartland (Trustee Debtor)	SunCal Heartland owns the Heartland Project consisting of a 417 acre site located in Riverside County, California. The Heartland Project is expected to consist of 983 units.
12.	Marblehead Project; SunCal Marblehead (Trustee Debtor)	SunCal Marblehead owns the Marblehead Project, consisting of a 247-acre site and is expected to consist of 308 units in San Clemente, California. The development is expected to offer canyon and ocean views from a number of lots throughout the Marblehead Project. (SunCal Marblehead also owns personal property in the approximate amount of \$1,176,584 in the form of cash.)
13.	Northlake Project; SunCal Northlake (Trustee Debtor)	SunCal Northlake owns the Northlake Project, consisting of a 1,564-acre site which is located in Castaic, California, north of Valencia, approximately 45 miles north of downtown Los Angeles and 10 miles north of the San Fernando Valley. The Northlake Project is expected to consist of 3,417 units. (SunCal Northlake also owns personal property in the amount of \$967,728 in the form of cash.)
14.	Oak Valley Project; SunCal Oak Valley (Trustee Debtor)	SunCal Oak Valley owns the Oak Valley Project consisting of a 985-acre site which is located in Riverside County, California. The Oak Valley Project consists primarily of residential property and is expected to also include two commercial sites, one school site and several parks. The Oak Valley Project is expected to consist of 3,417 units.

**NAME OF PROJECT
AND ITS OWNER**

DESCRIPTION

- | | | |
|-----|--|---|
| 15. | 10000 Santa Monica Project; SunCal Century City (Trustee Debtor) | SunCal Century City owns the 10000 Santa Monica Project, consisting of a 2-acre site which is located at the eastern edge of Century City, in Los Angeles County, California. The 10000 Santa Monica Project is expected to consist of 163 condominium units. |
| 16. | Palm Springs Village Project; SunCal PSV (Trustee Debtor) | SunCal PSV owns the Palm Springs Village Project, consisting of a 309-acre site which is located in the City of Palm Springs, California. The current proposed development consists of 752 single family units, 398 multi-family units, an 18-hole executive golf course, a driving range, a golf clubhouse and recreational facilities. |
| 17. | Del Amo Project; SunCal Torrance (Trustee Debtor) | SunCal Torrance owns the Del Amo Project, consisting of a 14-acre site which is located in the City of Torrance in Los Angeles County, California. The site is currently a section of the Del Amo Fashion Center complex, a 3 million square feet retail mall. The Del Amo Project is expected to consist of 365 units. |
| 18. | Oak Knoll Project; SunCal Oak Knoll (Trustee Debtor) | SunCal Oak Knoll owns the Oak Knoll Project, consisting of a 172.5-acre site which is located in the City of Oakland, California. The Oak Knoll Project is expected to be a diverse master planned community that includes 960 residential units, including single family homes, town homes and apartments. The Oak Knoll Project is also expected to consist of six restaurant spaces, along with a grocery anchor. ⁴ |

⁴ The SunCal Oak Knoll Project is subject to various notices of public health and safety violations and conditions, including those set forth in Exhibit "1" to the Disclosure Statement.

In re:

PALMDALE HILLS PROPERTY, LLC. AND ITS RELATED DEBTORS,

Debtor(s).

CHAPTER 11

CASE NUMBER 08-17206-ES

NOTE: When using this form to indicate service of a proposed order, **DO NOT** list any person or entity in Category I. Proposed orders do not generate an NEF because only orders that have been entered are placed on the CM/ECF docket.

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
10100 Santa Monica Blvd., 11th Floor, Los Angeles, CA 90067

A true and correct copy of the foregoing document described as ***FIRST AMENDED JOINT CHAPTER 11 PLAN PROPOSED BY LEHMAN LENDERS*** will be served or was served **(a)** on the **judge in chambers** in the form and manner required by LBR 5005-2(d); and **(b)** in the manner indicated below:

I. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF") – Pursuant to controlling General Order(s) and Local Bankruptcy Rule(s) ("LBR"), the foregoing document will be served by the court via NEF and hyperlink to the document. On **October 13, 2009** I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following person(s) are on the Electronic Mail Notice List to receive NEF transmission at the email address(es) indicated below:

☒ Service information continued on attached page

II. SERVED BY U.S. MAIL OR OVERNIGHT MAIL (indicate method for each person or entity served):

On _____ I served the following person(s) and/or entity(ies) at the last known address(es) in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States Mail, first class, postage prepaid, and/or with an overnight mail service addressed as follows. *Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.*

☐ Service information continued on attached page

III. SERVED BY PERSONAL DELIVERY, FACSIMILE TRANSMISSION OR EMAIL (indicate method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on **October 13, 2009** I served the following person(s) and/or entity(ies) by personal delivery, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. *Listing the judge here constitutes a declaration that personal delivery on the judge will be completed no later than 24 hours after the document is filed.*

JUDGE'S COPY [Hand Delivery]

The Honorable Erithe A. Smith
 United States Bankruptcy Court - Central District of California
 Ronald Reagan Federal Building and
 United States Courthouse
 411 West Fourth Street, Suite 5041
 Santa Ana, CA 92701-4593

☒ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

October 13, 2009
 Date

Myra Kulick
 Type Name

/s/ Myra Kulick
 Signature

In re:

PALMDALE HILLS PROPERTY, LLC. AND ITS RELATED DEBTORS,

Debtor(s).

CHAPTER 11

CASE NUMBER 08-17206-ES

I. SERVED BY NEF**8:08-bk-17206-ES Notice will be electronically mailed to:**

1. Selia M Acevedo for Interested Party Courtesy NEF
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In re:
PALMDALE HILLS PROPERTY, LLC. AND ITS RELATED DEBTORS,

Debtor(s).

CHAPTER 11

CASE NUMBER 08-17206-ES

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In re:
PALMDALE HILLS PROPERTY, LLC. AND ITS RELATED DEBTORS,

Debtor(s).

CHAPTER 11

CASE NUMBER 08-17206-ES

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In re:
PALMDALE HILLS PROPERTY, LLC. AND ITS RELATED DEBTORS,

Debtor(s).

CHAPTER 11

CASE NUMBER 08-17206-ES

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Atty for Bond Safeguard & Lexon - mea@amclaw.com

Palmdale Hills Property, LLC and its related entities - bcook@suncal.com

File a Plan:

8:08-bk-17206-ES Palmdale Hills Property, LLC

Type: bk

Chapter: 11 v

Office: 8 (Santa Ana)

Assets: y

Judge: ES

Case Flag: JNTADMN, LEAD,
Incomplete, DEFER, APPEAL

U.S. Bankruptcy Court

Central District Of California

Notice of Electronic Filing

The following transaction was received from Robert B Orgel entered on 10/13/2009 at 10:56 PM PDT and filed on 10/13/2009

Case Name: Palmdale Hills Property, LLC

Case Number: 8:08-bk-17206-ES

Document Number: 710

Docket Text:

Amended Chapter 11 Plan *First Amended Joint Chapter 11 Plan Proposed by Lehman Lenders* Filed by Creditors Lehman ALI, Inc., Lehman Commercial Paper Inc., Northlake Holding LLC, OVC Holdings LLC (RE: related document(s)[567] Chapter 11 Plan of Reorganization *Joint Chapter 11 Plan Proposed by Lehman Lenders* Filed by Creditors Lehman ALI, Inc., Lehman Commercial Paper Inc., Northlake Holding LLC, OVC Holdings LLC.). (Orgel, Robert)

The following document(s) are associated with this transaction:

Document description:Main Document

Original filename:C:\fakepath\205532v28 Lehman Plan.pdf

Electronic document Stamp:

[STAMP bkecfStamp_ID=1106918562 [Date=10/13/2009] [FileNumber=28930167-0] [6c35353112fa0a03f476adae67842620059cce439cb8218dcfe93784614c67192335d4d278f4387732efcd09f22c10128f6399d1439f168684c0ba50fa0e031d]]

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Exhibit B

See Attached.

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Attorneys for Lehman Commercial Paper Inc., Lehman ALI,
Inc., Northlake Holdings LLC and OVC Holdings LLC

**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
SANTA ANA DIVISION**

In re:
Palmdale Hills Property, LLC, and its Related Debtors,
Jointly Administered Debtors
and Debtors-In-Possession

Affects:

- ☐ All Debtors
- ☒ Palmdale Hills Property, LLC
- ☒ SunCal Beaumont Heights, LLC
- ☒ SCC/Palmdale, LLC
- ☒ SunCal Johannson Ranch, LLC
- ☒ SunCal Summit Valley, LLC
- ☒ SunCal Emerald Meadows, LLC
- ☒ SunCal Bickford Ranch, LLC
- ☒ Acton Estates, LLC
- ☒ Seven Brothers, LLC
- ☒ SJD Partners, Ltd.
- ☐ SJD Development Corp.
- ☒ Kirby Estates, LLC
- ☒ SunCal Communities I, LLC
- ☒ SCC Communities LLC
- ☐ SunCal Communities III, LLC
- ☒ North Orange Del Rio Land, LLC
- ☒ Tesoro SF, LLC
- ☒ LB/L-SunCal Oak Valley, LLC
- ☒ SunCal Heartland, LLC
- ☒ LB/L-SunCal Northlake, LLC
- ☒ SunCal Marblehead, LLC
- ☒ SunCal Century City, LLC
- ☒ SunCal PSV, LLC
- ☒ Delta Coves Venture, LLC
- ☒ SunCal Torrance Properties, LLC
- ☒ SunCal Oak Knoll, LLC

Case No.: 8:08-bk-17206-ES
Chapter 11

Jointly Administered Case Nos.

8:08-bk-17209-ES; 8:08-bk-17240-ES;
8:08-bk-17224-ES; 8:08-bk-17242-ES;
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8:08-bk-17236-ES; 8:08-bk-17248-ES;
8:08-bk-17249-ES; 8:08-bk-17573-ES;
8:08-bk-17574-ES; 8:08-bk-17575-ES;
8:08-bk-17404-ES; 8:08-bk-17407-ES;
8:08-bk-17408-ES; 8:08-bk-17409-ES;
8:08-bk-17458-ES; 8:08-bk-17465-ES;
8:08-bk-17470-ES; 8:08-bk-17472-ES;
and 8:08-bk-17588-ES

**AMENDED DISCLOSURE
STATEMENT WITH RESPECT TO
FIRST AMENDED JOINT CHAPTER
11 PLAN PROPOSED BY LEHMAN
LENDERS**

Hearing:

Date: October 15, 2009
Time: 2:00 p.m.
Place: Courtroom 5A
411 West Fourth Street
Santa Ana, CA 92701

1 [THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF
2 THE LEHMAN PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED
3 UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY
4 COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL
5 BUT HAS NOT BEEN APPROVED BY THE COURT]

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1 THE DOCUMENT YOU ARE READING IS THE DISCLOSURE STATEMENT
2 FOR THE LEHMAN PLAN.

3 Creditors Lehman Commercial Paper Inc., Lehman ALI, Inc., Northlake Holdings
4 LLC, and OVC Holdings LLC, each in its capacity as agent for the Lehman Successors, and/or as
5 agent and lender in its own right, with respect to the applicable Lehman Loans (referred to herein as
6 both the Lehman Proponents, with reference to their role as proponents of this Plan, and as the
7 Lehman Lenders, with reference to their other capacities) have proposed a plan (the "Lehman Plan")
8 under chapter 11 of title 11 of the United States Code, as amended (the "Bankruptcy Code") for
9 twenty-four (24) of the Debtors (referred to herein as the "Plan Debtors"), and submit this disclosure
10 statement in support of the Lehman Plan (the "Disclosure Statement" or "Lehman Disclosure
11 Statement").

12 I.

13 INTRODUCTION

14 1.1 Summary of this Disclosure Statement.¹

15 The Lehman Plan is being proposed by the Lehman Lenders. They and the Lehman
16 Successors (collectively, the "Lehman Creditors") are owed approximately \$2 billion of debt that is
17 secured by Liens on Assets of the Debtors. The Lehman Plan is designed to enable a reasonable
18 resolution of the financial distress of the Plan Debtors. It is offered as a counterpoint to another
19 plan, the Elieff Plan (defined below), and to the course of action for the Debtors proposed by the
20 Elieff Plan's sponsor, an indirect parent of each Debtor, SCC Acquisitions, Inc. ("Acquisitions"), for
21 which Bruce Elieff ("Elieff") is its sole owner and manager.

22 The Debtors are hopelessly insolvent. The Debtors collectively own 18 Remaining
23 Real Estate Projects and certain related Cash with an estimated collective value of \$350 million to
24 \$600 million (the Debtors' valuations represent the lower sums). The Debtors collectively owe
25 debts of approximately \$2.4 billion to various creditors holding Claims not secured by collateral and
26

27
28 ¹ While good faith effort has been made to make the Plan and Disclosure Statement consistent in all respects, if there are
any discrepancies between the Plan and the Disclosure Statement, the Plan controls, and if there are any discrepancies
between the summaries provided in sections 1.1 and 1.5 of the Disclosure Statement and the other provisions of this
Disclosure Statement, the other provisions shall control.

1 to the Lehman Creditors. Importantly, however, of this debt, Elieff and his wife personally
2 guaranteed payment of approximately \$230 million in Bond Obligations potentially owed to Bond
3 Safeguard and Arch.

4 Elieff and Acquisitions appear to claim that the centerpiece of the Elieff Plan and
5 their proposed course for the Debtors is the pursuit of various Litigation Claims, consisting primarily
6 of certain Equitable Subordination Claims against Lehman Related Parties, and an offer, that appears
7 illusory and/or unfunded, to purchase Claims entitled to the benefits of a judgment for equitable
8 subordination at ten cents on the dollar. The Equitable Subordination Claims essentially are
9 premised on a contention that certain Lehman Related Parties acted so egregiously that their
10 approximately \$2 billion in Claims and Liens against the Debtors and their respective Assets should
11 be subordinated to the Claims of all Creditors harmed by such alleged misconduct.

12 The Lehman Creditors dispute these Litigation Claims against the Lehman Related
13 Parties and believe them to be just a smokescreen. The Elieff Plan and the proposed course of action
14 of Acquisitions and Elieff are designed primarily to provide Elieff the personal benefit of reducing
15 or eliminating his personal liability with respect to the Bond Obligations. The Elieff Plan is centered
16 upon a sale (that Acquisitions and Elieff have arranged and proposed) of certain Remaining Real
17 Estate Projects to D.E. Shaw or another bidder at an under-market price, but on terms that require all
18 of the likely liability for the Elieff guaranteed Bond Obligations to be assumed and satisfied by the
19 buyer, whether or not any other Holder of an unsecured, non-priority Claim gets paid anything at all.
20 (According to the Debtors' Third Amended Disclosure Statement - Exhibit 6, notes - Bond
21 Obligations of \$157 million are paid or resolved by the proposed sale to D.E. Shaw. Instead, the
22 Projects should be sold free and clear of those Claims to achieve a higher Cash price and return to
23 the Estate.)

24 Pursuit of the Equitable Subordination Claims represents a 'lottery ticket' litigation
25 strategy. Besides having to prove inequitable conduct by the Lehman Related Parties, the benefits of
26 any such litigation would be somewhat limited unless the Estates of the various Debtors could be
27 merged (*e.g.*, substantively consolidated) so that values payable to the Lehman Creditors in their
28 capacity as Creditors of one particular Debtor could be used instead to pay Creditors of another

1 Debtor. To succeed, the Elieff Plan requires that the Debtors' Estates be substantively consolidated,
2 requiring the Debtors to meet high evidentiary hurdles. None of the factors required for substantive
3 consolidation (either the hopeless intermingling of the assets and liabilities of the Debtors or the
4 treatment of the Debtors by the Creditors as a consolidated, single enterprise) are satisfied in this
5 instance. The Lehman Creditors believe that there is no basis for such substantive consolidation and
6 that the Lehman Related Parties not only will prevail in defending the Equitable Subordination
7 Claims, but would also defeat any effort to substantively consolidate these Estates.

8 More importantly, even if the Debtors are able to overcome the legal obstacles they
9 face in confirming the Elieff Plan, the litigation attendant to the two cornerstones of the Elieff Plan
10 could take years to resolve – thus depriving the Debtors' Creditors from access to any payment on
11 account of their Allowed Claims until resolution of such litigation, all the while forcing the Creditors
12 to bear the risk of the inevitable protracted litigation.

13 For Elieff's and Acquisition's course of action to work in eliminating Elieff's
14 personal liability for the Bond Obligations, they must ensure that the Lehman Creditors cannot credit
15 bid so that D.E. Shaw (or another entity willing to pay less Cash but assume the Bond Obligations or
16 replace the applicable payment and performance bonds) can purchase certain of the Remaining Real
17 Estate Projects, because the Lehman Creditors or their nominees who would take title to those
18 Projects would not commit up front to, and ultimately might not at all, assume the Bond Obligations
19 or otherwise agree to replace the applicable payment and performance bonds (thereby eliminating
20 the Bond Obligations associated with such bonds), which appears to be Elieff's and Acquisitions
21 goal. However, the Lehman Creditors do want the ability to credit bid and to thus control at least
22 certain of the Remaining Real Estate Projects. Accordingly, they have proposed the Lehman Plan.

23 Whereas Elieff and Acquisitions are out-of-the-money parties focused on providing
24 Elieff substantial personal benefits through a flawed sale process and offering other Creditors only a
25 speculative 'lottery ticket' litigation strategy, which could take years to resolve, the Lehman
26 Creditors, on the other hand, are in-the-money Creditors holding substantial Claims secured by
27 valuable Liens on the Assets of the Debtors. To protect their valuable position in these Cases, the
28 Lehman Proponents have offered Creditors through the Lehman Plan what the Lehman Creditors

1 believe is a better alternative than the Elieff Plan:

2 First, the Lehman Lenders have agreed that on the Plan's Effective Date they
3 will deposit \$10 million through new Cash transfers to the independent trustee to be appointed by the
4 Court to oversee the liquidation of the Debtors' Estates following Plan Confirmation (Liquidating
5 Trustee) to serve as a reserve for a guaranteed minimum recovery (the Guaranteed Minimum
6 Distribution) from the Lehman Lenders for Creditors who have no security interest in any of the
7 Assets of the Debtors and whose Claims have no priority over General Unsecured Claims². This
8 Guaranteed Minimum Distribution is to be reduced by the amount of any actual ES Final Judgments
9 obtained by the Liquidating Trustee for any group of Creditors, reduced further by a certain portion
10 of settlement payments made in connection with the ES Settlement Offer described below, and is
11 subject to certain conditions relating to assuring the Lehman Creditors the right to credit bid – the
12 Credit Bid Conditions. The Guaranteed Minimum Distribution could not be paid until after the ES
13 Action is finally determined or settled.

14 Second, the Lehman Lenders also are offering certain Creditors (*i.e.*, ES
15 Claimants) that it believes may hold Allowed Claims (Allowed ES Claims) that arguably would
16 benefit from any judgment (ES Final Judgment) with respect to the pending action seeking equitable
17 subordination (ES Action), the choice of accepting their pro rata share of a \$15 million aggregate
18 settlement offer (the ES Settlement Offer) projected to yield at least 6.6% on their Claims, payable
19 as soon after the Effective Date as their Allowed Claims are determined by the Liquidating Trustee
20 to be Allowed. The Lehman Plan also requires an expedited process for determining whether the ES
21 Claims of ES Claimants are Allowed.

22 Third, the Lehman Plan provides a more appropriate auction process for the
23 Remaining Real Estate Projects that leaves bidders free to agree to assume or not to assume the
24 Bond Obligations. Significantly, this process does afford the Lehman Creditors the right to credit
25 bid at the auction sales, and they are committing to bid their aggregate appraised values of \$435.7
26 million for certain Projects, but this process also requires that the Lehman Creditors or their
27

28 ² The Lehman Creditors believe that the Trustee and Danske Bank are in the process of documenting a settlement with respect to SunCal Century City. Thus, the SunCal Century Creditors without priority or security are not included among those to share in the Guaranteed Minimum Distribution from the Lehman Creditors.

1 nominees to whom the Projects are conveyed (the Lehman Nominees) grant deeds of trust (PRA
2 Recovery Deeds of Trust) on every Project as to which a Lehman Creditor is the successful bidder,
3 as discussed below (the PRA Security Projects). This right to credit bid and the requirement for
4 providing PRA Recovery Deeds of Trust on the PRA Security Projects are included in the Plan
5 pursuant to Bankruptcy Code Section 1123(a) and are intended as a supplement and alternative to
6 whatever rights and remedies parties otherwise would have for a sale under Bankruptcy Code
7 Section 363.

8 Fourth, under the Lehman Plan, the Lehman Lenders also make substantial
9 funds available for Confirmation and implementation of the Plan. Besides their contribution of \$10
10 million as the reserve for the Guaranteed Minimum Distribution, the Lehman Lenders also are
11 agreeing to fund up to an additional \$5 million of new Cash and, significantly, use of Cash Collateral
12 of the Lehman Creditors, which is believed to be at least \$18.87 million. Although the Cash
13 Collateral is owned by Debtors, the Lehman Lenders claim it is part of their collateral, that they will
14 be entitled to turnover of such sums upon defeating the ES Action and that, absent their consent, the
15 Cash Collateral could be used by the Debtors and Trustee for only limited purposes and, even then,
16 only if the Debtors or Trustee overcame significant legal hurdles. Thus, the Lehman Lenders believe
17 that their agreement to permit use of the Cash Collateral under the Lehman Plan has substantial
18 value.

19 Finally, under the Lehman Plan, ES Claimants that elect not to vote to accept
20 the ES Settlement Offer and instead to continue to wait for resolution of the 'lottery ticket' litigation
21 are provided certain valuable concessions intended as part of the *quid pro quo* for the Lehman
22 Creditors obtaining the right to credit bid:

23 (1) The Lehman Creditors are agreeing to use good faith efforts to
24 obtain a waiver of the defense to the ES Action from Fenway Capital (which the Bankruptcy Court
25 determined is a Lehman Successor) that Fenway Capital is a *bona fide* purchaser for value of certain
26 applicable Lehman Loans, subject to conditions relating to assuring the Lehman Creditors the right
27 to credit bid – the Credit Bid Conditions.

28 (2) The Lehman Creditors are providing collateral for satisfaction of

1 all ES Final Judgments or Cross-Collateralization Final Judgments (collectively referred to as the
2 Project Related Action Recoveries) through the PRA Recovery Security Pool (comprised of the Plan
3 Reserve and the PRA Recovery Deeds of Trust). If third parties purchase the Project on which the
4 Lehman Creditors are bidding, the proceeds are to be held as Cash in the Plan Reserve. If the
5 Lehman Creditors' credit bids are successful, deeds of trust (PRA Recovery Deeds of Trust) will be
6 granted to the Liquidating Trustee for each such Project (PRA Security Project).

7 (3) The Lehman Creditors have agreed that excess values (*i.e.*, values
8 in excess of the Allowed ES Claims against the applicable Debtor who owned a particular Project
9 prior to the transfer of the same to a Lehman Nominee) otherwise available to pay the Lehman
10 Creditors from certain Projects are to remain as collateral in the PRA Recovery Security Pool to
11 address the possibility of shortfalls in the amount of proceeds available from some applicable Estates
12 to satisfy the amount of any ES Final Judgments that may be obtained for ES Claimants of those
13 Estates. The PRA Recovery Security Pool will secure all ES Final Judgments and the Lehman
14 Creditors are agreeing, to their detriment, that they cannot simply pay a particular ES Final
15 Judgment to obtain a release of the PRA Recovery Deed of Trust on the Project and retain for
16 themselves, as a Creditor of that Estate, the residual value from the Project. Rather, as a concession
17 to encourage approval of the Lehman Plan, the Lehman Creditors are agreeing, as more fully set
18 forth below, that their payment of such particular ES Final Judgment would not result in a release of
19 any PRA Recovery Deed of Trust unless all Project Related Action Recoveries were satisfied.

20 (4) The Lehman Creditors are making available the ES Litigation
21 Loan to enable continued prosecution of the Equitable Subordination Claims in the ES Action,
22 subject to specified conditions. As indicated above, the Lehman Creditors believe that the ES
23 Action is not meritorious and is being prosecuted in large part as part of a course of action designed
24 to benefit Elieff and Acquisitions and is subject to a contingency fee arrangement. The ES Litigation
25 Loan requires continued prosecution of the ES Action on a contingency fee basis and thus is
26 available to fund a portion of the substantial expenses associated with continued prosecution of the
27 ES Action. Such funding, however, only is available for replacement counsel to be selected by the
28 Liquidating Trustee.

(5) As to the Estates of Del Rio and SJD Partners only, Lehman ALI and Fenway Capital will waive an objection or defense, that, even if the applicable Lehman Secured Claim was ignored, there was insufficient value in those Estates to pay their Allowed ES Claims and, as to SJD Partners, that they are inappropriate defendants as to a non-recourse judgment secured by the PRA Recovery Security Pool. To obtain this waiver and thus facilitate the entry of an ES Judgment against a Lehman Lender or Fenway, the Estates of Del Rio and SJD Partners must execute the Del Rio / SJD Partners Release within forty-five (45) days following the Effective Date essentially releasing all Claims against the Lehman Related Parties other than the ES Claims of Del Rio and SJD Partners.

1.2 Purpose of this Document.

The Lehman Disclosure Statement is submitted in accordance with 11 U.S.C. § 1125 and contains information regarding the Lehman Plan, a copy of which accompanies this Disclosure Statement. The Disclosure Statement is being distributed to you for the purpose of enabling you to make an informed judgment about the Lehman Plan. The Lehman Disclosure Statement describes the Lehman Plan and contains information concerning, among other matters: (1) the history, business, results of operations, assets and liabilities of the Debtors, (2) the business plan (*e.g.*, to liquidate) that is to be implemented following confirmation of the Lehman Plan, (3) risk factors to be considered in voting on the Lehman Plan, and (4) certain tax considerations of the Lehman Plan.

The Lehman Disclosure Statement also contains a discussion of the proposed Elieff Plan, for which solicitation might be permitted by the Bankruptcy Court simultaneously with the Lehman Plan. If so, the discussion herein of the Elieff Plan would supplement, but not replace, a discussion thereof in the Elieff Disclosure Statement.

The Lehman Creditors strongly urge you to review carefully the contents of this Lehman Disclosure Statement and the Lehman Plan (including the exhibits to each) before making a decision to accept or reject the Lehman Plan. Particular attention should be paid to the provisions affecting or impairing your rights as a Holder of a Claim or Interest.

This Disclosure Statement cannot tell you everything about your rights. You should consider consulting your own lawyer to obtain more specific advice on how the Lehman Plan will

affect you and your best course of action.

**READ THIS DISCLOSURE STATEMENT CAREFULLY IF YOU WANT TO
KNOW ABOUT:**

- **WHO CAN VOTE OR OBJECT TO THE LEHMAN PLAN;**
- **HOW YOUR CLAIM OR INTEREST IS TREATED;**
- **HOW THIS TREATMENT COMPARES TO WHAT YOU WOULD RECEIVE
ON ACCOUNT OF YOUR CLAIM OR INTEREST IN LIQUIDATION;**
- **A BRIEF HISTORY OF THE DEBTORS AND SIGNIFICANT EVENTS
DURING THEIR CHAPTER 11 BANKRUPTCY PROCEEDINGS;**
- **WHAT FACTORS THE BANKRUPTCY COURT WILL CONSIDER TO
DECIDE WHETHER OR NOT TO CONFIRM THE LEHMAN PLAN;**
- **WHAT IS THE EFFECT OF CONFIRMATION; AND**
- **WHETHER THE LEHMAN PLAN IS FEASIBLE.**

1.3 Court Approval of this Document.

The Bankruptcy Court approved the Lehman Disclosure Statement as containing sufficient information to enable a hypothetical reasonable investor, typical of Holders of Claims or Interests receiving the Lehman Disclosure Statement, to make an informed judgment about the Lehman Plan. This approval enabled the Lehman Creditors to send you this Disclosure Statement and solicit your acceptance of the Lehman Plan. The Bankruptcy Court has not, however, ruled on the Lehman Plan itself, nor conducted a detailed investigation into the contents of this Disclosure Statement.

1.4 Competing Plans.

At the same time that the Lehman Creditors are seeking to have the Bankruptcy Court confirm the Lehman Plan, it appears that Acquisitions and Elieff are seeking to have the Bankruptcy Court instead confirm the Elieff Plan. As noted above, the Lehman Creditors contend that the Elieff Plan is unconfirmable (*see* Article V, below). Assuming, however, that both the Elieff Plan and the Lehman Plan are confirmable, you may vote to accept or reject: the Lehman Plan; the Elieff Plan; both plans; or neither of them, irrespective of how you vote (if at all) on the other plan. The Bankruptcy Court may confirm only one plan for each Debtor (although it could conceivably

1 confirm one plan as to some of the Debtors and another plan as to some of the other Debtors). The
2 Bankruptcy Court will have discretion in determining which plan of reorganization to confirm but “.
3 . . shall consider the preferences of creditors and equity security holders in determining which plan
4 to confirm.”

5 **1.5 Summary of the Lehman Plan.**

6 The summary of the Lehman Plan that follows in this Section 1.5 is not intended to
7 substitute for the more specific terms set forth in the Lehman Plan. If there are any discrepancies
8 between the summary provided in this Section 1.5 and the Lehman Plan, the provisions of the
9 Lehman Plan shall control. Additionally, the Cases of the Plan Debtors have been jointly
10 administered, but not substantively consolidated. Accordingly, the Lehman Plan provides separate
11 treatment for Holders of Claims and Interests against each Plan Debtor. The following is a general
12 outline of the Lehman Plan.

13 (a) **Plan Debtors.** The Lehman Plan applies to 24 of the 26 Debtors, being
14 all of the Debtors other than SJD Development and SunCal III (the Estates of which are believed to
15 hold no Assets of any significant current or potential value).

16 (b) **Generally.** The Lehman Creditors (*i.e.*, the Lehman Lenders and
17 Lehman Successors) are owed, collectively, approximately \$2 billion secured by deeds of trust on
18 certain of the Remaining Real Estate Projects, certain Cash Collateral and other Assets of the Plan
19 Debtors' Estates. The Debtors have challenged the Lehman Creditors' Secured Claims, contending
20 that (a) certain of the Lehman Creditors' Liens on the Assets of particular Plan Debtors who are
21 obligors under certain Lehman Loans are subject to being set aside because, among other things,
22 other affiliated Debtors, rather than the obligor Plan Debtors, received the benefit of such Lehman
23 Loans (the Cross-Collateralization Claims), and (b) the Claims of the Lehman Creditors should be
24 subordinated to the Claims of certain other Creditors allegedly harmed by the conduct of the Lehman
25 Lenders (the Equitable Subordination Claims). Significantly, the Debtors also have alleged that as a
26 result of these disputes, the applicable Lehman Creditors should not have the right to credit bid in
27 connection with a sale of the Projects owned by the Trustee Debtors. The Lehman Lenders do not
28 concur with these conclusions of the Debtors or with many of the factual contentions asserted as

1 supporting or providing a basis for the Cross-Collateralization Claims and/or Equitable
2 Subordination Claims.

3 Nonetheless, to enable the Plan Debtors to emerge from bankruptcy, which the
4 Lehman Lenders believe is in the interest of all Creditors, with a Plan that is fair to all constituencies
5 and best preserves current values and prevents further deterioration in the values of the Assets of the
6 Plan Debtors, the Lehman Proponents have proposed the Lehman Plan. Through the Lehman Plan:

7 (a) The Lehman Lenders will fund \$10 million on the Plan's Effective Date
8 from new transfers of Cash to provide a reserve for a Guaranteed Minimum Distribution payable to
9 Creditors without priority or security (which \$10 million amount can be reduced or eliminated if,
10 *inter alia*, the Credit Bid Conditions are not met or ES Final Judgments are rendered in a sufficient
11 amount, all as reflected in the definition below of "Guaranteed Minimum Distribution");

12
13 (b) The Lehman Proponents are making an offer to settle the Equitable
14 Subordination Claims in the ES Action through the ES Settlement Offer (\$15 million if all eligible
15 Creditors settle and less if fewer settlements occur) and will make available funding for the ES
16 Settlement Offer either through new Cash transfers or through the use of Cash Collateral;

17 (c) Auctions of the Remaining Real Estate Projects would occur within sixty
18 (60) days after the Plan's Effective Date (in accordance with the Lehman Plan Sale Procedures
19 specified in the Plan), at which third parties may bid and, significantly, at which the Lehman
20 Creditors and other Holders of Allowed Secured Claims may credit bid; provided that any Project
21 acquired by a Lehman Nominee as a result of a credit bid under this Plan shall be subject to a deed
22 of trust (the PRA Recovery Deed of Trust) to be granted to the Liquidating Trustee by the applicable
23 Lehman Nominee as part of a PRA Recovery Security Pool, which serves as collateral for any ES
24 Final Judgment (a final judgment granting some form or manner of equitable subordination in the ES
25 Action, as more fully defined below) and any Cross-Collateralization Final Judgments;

26 (d) Means and a framework are provided for liquidation of the Remaining
27 Other Assets and the distribution of any Residual Cash for Holders of Allowed Claims; and

28 (e) As part of the *quid pro quo* for the Lehman Plan and for the ability under

1 the Lehman Plan of the Lehman Creditors to obtain control of their collateral through credit bids, the
2 Lehman Creditors are agreeing to afford valuable benefits to the Creditors who are eligible to vote to
3 have the Estates settle their ES Claims (ES Claimants), but who do not settle, which benefits may
4 facilitate the Liquidating Trustee obtaining for such Creditors an ES Final Judgment or may facilitate
5 the Liquidating Trustee's collection of any such judgment. These protections are summarized as
6 follows:

7 (i) The Lehman Lenders will make available the ES Litigation Loan to
8 enable continued prosecution of the Equitable Subordination Claims in the ES Action;

9 (ii) The Lehman Creditors are waiving or endeavoring to waive
10 certain defenses, including a defense by Fenway Capital (which the Bankruptcy Court determined is
11 a Lehman Successor) that Fenway Capital is a *bona fide* purchaser for value of certain applicable
12 Lehman Loans, and granting certain specific concessions, described below, that could facilitate the
13 entry and collection of an ES Final Judgment for the Estates of Debtors SJD Partners or Del Rio;

14 (iii) The Lehman Creditors are providing security for satisfaction of
15 both ES Final Judgments and Cross-Collateralization Final Judgments; and

16 (iv) To address the possibility of shortfalls in the amount of proceeds
17 available from some applicable Estates to satisfy the amount of any ES Final Judgments that may be
18 obtained for ES Claimants of those Estates, the Lehman Creditors are agreeing to offer as additional
19 collateral for all ES Final Judgments a pool of certain Cash and deeds of trust (PRA Recovery Deeds
20 of Trust) on all Projects on which Lehman Creditors successfully credit bid under the Lehman Plan
21 or which are sold to a third party, such that, where the proceeds of a sale or disposition of a Project
22 *exceeds* any ES Final Judgment of the particular Estate which had owned such Project, such excess
23 proceeds would be available to satisfy other ES Final Judgments at Estates where there was a
24 shortfall.

25 (c) **Liquidating Trustee.** A Liquidating Trustee, to be nominated by one
26 or the other of the two Official Committees of Creditors Holding Unsecured Claims (the
27 Committees), shall be appointed to oversee the realization of values from the Remaining Real Estate
28 Projects and the Remaining Other Assets for the benefit of the Creditors of the Plan Debtors. The

values of the Remaining Real Estate Projects and Remaining Other Assets (net of Post-Confirmation Expenses) shall be distributed to the respective Creditors of the applicable Plan Debtors in accordance with the strict priority rules of the Bankruptcy Code, applied on a Plan Debtor-by-Plan Debtor basis, except as otherwise provided in the Lehman Plan and described below. No Assets from the Estates of the Plan Debtors created under law upon the commencement of the Plan Debtors' Cases will be left with the Plan Debtors on the Effective Date; instead, such Assets will remain vested in the Plan Debtors' Estates to be administered by the Liquidating Trustee, although the Liquidating Trustee could elect thereafter to abandon to the Lehman Debtors Assets of inconsequential value to the extent permitted in the Lehman Plan.

(d) The Guaranteed Minimum Distribution Will be Held in the Plan Reserve to Assure a Minimum Amount for Creditors without Security or Priority.

On the Effective Date, the Lehman Lenders will pay the Liquidating Trustee \$10 million from new Cash transfers (rather than from existing Cash Collateral) to be held in the Plan Reserve for the Guaranteed Minimum Distribution. Upon Conclusion of the ES Action, if the Credit Bid Conditions are satisfied, the Guaranteed Minimum Distribution will be calculated (*i.e.*, \$10 million less the amount of any ES Final Judgments and less the amount –which cannot exceed \$5 million – that is one-third of the aggregate ES Pro Rata Settlement Payments). Thereafter, the Liquidating Trustee shall distribute the Guaranteed Minimum Distribution Pro Rata to those holders of Allowed General Unsecured Claims (other than the general unsecured claims against SunCal Century City) and Allowed Non-Settled ES Claims who provide the Lehman Lenders a duly executed Minimum Distribution Release and Assignment. The Lehman Lenders (and each Lehman Successor, unless it timely objects to Plan Confirmation) will not share in the Guaranteed Minimum Distribution, all as more fully set forth in Plan Section 7.3.

As and to the extent reflected in the definition of “Guaranteed Minimum Distribution,” the payment of ES Pro Rata Settlement Payments and entry of an ES Final Judgment each result in a reduction in the Guaranteed Minimum Distribution. Simultaneously with the payment of any ES Pro Rata Settlement Payments, the Liquidating Trustee shall return to the Lehman Lenders or their designee from the Plan Reserve one-third (1/3rd) of the amount of such ES

1 Pro Rata Settlement Payments (not to exceed the remaining amount on reserve for the Guaranteed
2 Minimum Distribution). Additionally, upon entry of each and any ES Final Judgment (each or any
3 of which, under the Plan, are secured by the PRA Recovery Security Pool), one hundred percent
4 (100%) of the amount of such ES Final Judgment (not to exceed the remaining amount on reserve
5 for the Guaranteed Minimum Distribution), at the election of the Lehman Lenders, either shall: (1)
6 be applied by the Liquidating Trustee to such ES Final Judgment or (2) be returned from the Plan
7 Reserve by the Liquidating Trustee to the Lehman Lenders or their designee.

8 In exchange for the funding the \$10 million reserve by the Lehman Lenders for the
9 Guaranteed Minimum Distribution, each eligible Creditor also must grant a release of all claims
10 against the Lehman Releasees or any future owners of the applicable Project(s) as to, or to the extent
11 attributable to, or to the extent any recovery is payable with respect to, any or all of the Claims of
12 such Creditor (the "Minimum Distribution Release and Assignment" as more fully set forth and
13 defined in the Lehman Plan).

14 (e) **Disposition of the Remaining Real Estate Projects.** Within sixty (60)
15 days after the Effective Date, the Liquidating Trustee shall sell or convey after auction each of the
16 Remaining Real Estate Projects for which the Successful Bidder is either a third party purchaser, a
17 Lehman Nominee or another Holder of an Allowed Secured Claim, all pursuant to the Lehman Plan
18 Sale Procedures set forth in the Lehman Plan. Under the Lehman Plan, the Lehman Creditors are
19 afforded the ability to credit bid up to the amount of their Claims as specified in Article IV of the
20 Lehman Plan on a Project-by-Project basis; provided, however, that each of the Remaining Real
21 Estate Projects conveyed to a Lehman Nominee shall become subject to a PRA Recovery Deed of
22 Trust for the protection of the applicable Estate and its Creditors as and to the extent set forth in the
23 Lehman Plan. The Lehman Creditors are committing in connection with the Lehman Plan to make
24 credit bids (the Initial Bids) as set forth in Section 7.9.1 of the Lehman Plan on eleven (11) of the
25 Projects against which the Lehman Creditors have direct Liens, which Projects have values
26 appraised for the Lehman Creditors at approximately \$437.5 million, which is the aggregate amount
27 of the Lehman Creditors' Initial Bids. The Lehman Creditors also may make certain additional bids
28 (referred to in the Lehman Plan as "Contingent Bids") with respect to seven (7) of the other

1 Remaining Real Estate Projects as to which the Lehman Lenders either have: (a) a Lien in the equity
2 ownership of the Remaining Real Estate Project rather than the Remaining Real Estate Project itself;
3 or (b) a direct Lien in the Project, which Lien is subject to a Cross-Collateralization Claim. The
4 Contingent Bids exclude parcels on which the Lehman Creditors hold no Liens that are subject to
5 other Secured Claims in Class 4, but the Plan enables the Lehman Creditors to elect to bid on any
6 other Remaining Real Estate Project or Asset. The Contingent Bids are at values equal to the
7 Debtors' estimated value of the subject Remaining Real Estate Projects.

8 (f) **PRA Recovery Security Pool.** The Lehman Lenders dispute or may
9 dispute all or substantially all of the Equitable Subordination Claims and the Cross-Collateralization
10 Claims. If, however, some recovery were afforded to the Liquidating Trustee for the Estates in
11 respect of the Equitable Subordination Claims in an ES Action or the Cross-Collateralization Claims
12 in a Cross-Collateralization Action (*i.e.*, a Project Related Action Recovery), absent a Plan, the
13 values of the Remaining Real Estate Projects on which Lehman Creditors hold Secured Claims and
14 on which Lehman Creditors are bidding arguably would be available to satisfy the Project Related
15 Action Recovery. Thus, to secure the satisfaction of a Project Related Action Recovery and thereby
16 protect the Estates of the Plan Debtors and their Creditors (a) the Lehman Plan provides that certain
17 Cash is to be held by the Liquidating Trustee in the Plan Reserve, including the Net Cash Proceeds
18 of any sale of a Remaining Real Estate Project to a third party, and (b) any Remaining Real Estate
19 Project which is conveyed to a Lehman Nominee pursuant to the Lehman Plan Sale Procedures shall
20 be subject to a deed of trust in favor of the Liquidating Trustee (as defined below, the "**PRA**
21 **Recovery Deeds of Trust**") to secure the obligation of such Lehman Nominee to reconvey the
22 Project acquired by such Lehman Nominee in the event of a Project Related Action Recovery, which
23 obligation is to be set forth in a Reconveyance Agreement and, which reconveyance obligation may,
24 at the Lehman Nominee's election, instead be satisfied by a Cash payment in the amount of any
25 Project Related Action Recovery. The Plan Reserve and PRA Recovery Deeds of Trust are referred
26 to in the Lehman Plan collectively as the "**PRA Recovery Security Pool**"). The Plan Reserve is
27 comprised of Cash and thus enforcement of a Project Related Action Recovery against this collateral
28 by the Liquidating Trustee should be uncomplicated. If, however, the Lehman Creditors are the

1 successful bidders as to the Projects on which they bid, any greater risks of delay or diminution in
2 the value of the collateral are mitigated by the fact that the Lehman Creditors' appraised values of
3 the Projects upon which they have committed to bid totals approximately \$437.5 million (whereas
4 the maximum Project Related Action Recoveries are projected by the Lehman Creditors to be over
5 \$200 million less).

6 (g) **Release of PRA Recovery Deeds of Trust.** Although the PRA
7 Recovery Deeds of Trust generally shall remain in effect pending the Conclusion of the Project
8 Related Actions, as provided in the Lehman Plan, in order to permit the Lehman Nominees holding
9 title to the Remaining Real Estate Projects (*i.e.*, the PRA Security Projects) to fully utilize such
10 properties, the Lehman Plan also includes provisions by which (i) all of the PRA Recovery Deeds of
11 Trust shall be released and all Reconveyance Agreements terminated upon there having been
12 deposited Cash into the Plan Reserve equal to the Maximum PRA Recovery Amount and (ii) the
13 PRA Recovery Deed of Trust encumbering a particular PRA Security Project shall be: (1) released
14 and the corresponding Reconveyance Agreement terminated upon the sale of such PRA Security
15 Project to a third party and the deposit of any Net Cash Proceeds resulting from such sale into the
16 Plan Reserve and/or the provision of a substitute Lien on any non-Cash Net Proceeds resulting from
17 such sale or (2) subordinated to the Lien of a new mortgage loan upon a refinancing of the particular
18 PRA Security Project obtained by the applicable Lehman Nominee in its sole and absolute
19 discretion, provided that all Net Cash Proceeds derived from such refinancing are deposited into the
20 Plan Reserve. However, the Lehman Creditors are offering a pool of collateral for the Project
21 Related Action Recoveries. Thus, the Lehman Creditors are agreeing, to their detriment, that they
22 cannot simply pay a particular ES Final Judgment to obtain a release of the PRA Recovery Deed of
23 Trust on the Project and retain for themselves, as a Creditor of that Estate, the residual value from
24 the Project.

25 (h) **The Remaining Other Assets.** The Remaining Other Assets (other
26 than Cash) shall be liquidated by the Liquidating Trustee and the Net Cash Proceeds therefrom shall
27 be available for payment of Claims and Creditors, as set forth in the Lehman Plan.

28 (i) **Equitable Subordination Claims.**

1 **Generally.** Under the Lehman Plan, ES Claimants are afforded the option to either accept the
2 benefits of the ES Settlement, as provided in the Lehman Plan, or have the Liquidating Trustee
3 continue prosecution of the Equitable Subordination Claims for their potential benefit. To
4 incentivize ES Claimants to accept the Lehman Plan even if they do not accept the ES Settlement
5 Offer, the Lehman Lenders are making available as set forth below funding for such continued
6 prosecution of the Equitable Subordination Claims.

7 (i) **ES Settlement Offer.**

8 (1) **Funding for ES Settlement Offer.** The Lehman Lenders
9 are making available funds for the ES Settlement Pro Rata Payments to Settling ES Claimants.

10 (2) **Settlement by an Individual ES Claimant.** For each ES
11 Claimant who votes for acceptance of the ES Settlement Offer on its Ballot and returns with the
12 Ballot an ES Claimant Release and Assignment (included with the Ballot) duly executed by such ES
13 Claimant, such ES Claimant will receive an ES Pro Rata Settlement Payment (*e.g.*, its relative share
14 of the aggregate amount of the ES Settlement Amount).

15 (3) **Full Settlement by an Estate.** If at least one-half in
16 number and two-thirds in amount of the voting ES Claimants in any of the Estates of the Plan
17 Debtors vote for acceptance of the ES Settlement Offer on their Ballots and return with their Ballots
18 duly executed ES Claimant Release and Assignments (with respect to such Estate, the “Estate
19 Acceptance of the ES Settlement”), all ES Claimants of such Estate will be entitled to receive an ES
20 Pro Rata Settlement Payment upon return with their Ballots or to the Lehman Lenders of a duly
21 executed ES Claimant Release and Assignment. If there is Estate Acceptance of the ES Settlement
22 for an Estate of a particular Plan Debtor, the Equitable Subordination Claims of such Estate will be
23 fully settled, dismissed (with prejudice) and released, including as to ES Claimants who do not vote
24 to accept the ES Settlement Offer, who vote to reject the ES Settlement Offer or who vote to accept
25 the ES Settlement Offer but who fail to execute and deliver the ES Claimant Release and
26 Assignment.

27 (4) **Releases and Assignments.** In exchange for the
28 consideration payable to each Settling ES Claimant: (A) the Liquidating Trustee will issue for or on

1 behalf of each relevant Estate a release of all claims against the Lehman Releasees or any future
2 owners of the applicable Project(s) (that were at any time owned by the Plan Debtor against which
3 the applicable Allowed ES Claim is asserted), including the Lehman Nominees, which owners are or
4 were successors or assignees of the applicable Debtor, as to, or to the extent attributable to, or to the
5 extent any recovery would be payable with respect to, any or all of the ES Claims of the Settling ES
6 Claimants (the “Estate ES Settlement Release” as more fully set forth and defined in the Lehman
7 Plan); and (B) in returning its Ballot accepting the ES Settlement Offer, each Settling ES Claimant
8 by Vote also, itself, will be granting a release of all claims against the Lehman Releasees or any
9 future owners of the applicable Project(s) as to, or to the extent attributable to, or to the extent any
10 recovery is payable with respect to, any or all of the ES Claims of such Settling ES Claimant (the
11 “ES Claimant Release and Assignment” as more fully set forth and defined in the Lehman Plan).

12 (5) Estimate of Recovery on Account of Allowed ES Claims
13 to Those Accepting, or Deemed to have Accepted the ES Settlement Offer. The ultimate recovery on
14 account of an Allowed ES Claim to those accepting, or deemed to have accepted, the ES Settlement
15 Offer will vary depending on the total amount of Allowed ES Claims. The Lehman Lenders
16 estimate that the maximum total amount of Allowed ES Claims will not exceed approximately
17 \$227.4 million (the “ES Claims Estimate”) and will likely be significantly less for the reasons stated
18 below. The ES Claims Estimate was determined by totaling the estimated Claims of ES Plan
19 Debtors’ Estates that were Filed or were scheduled other than as contingent, disputed or unliquidated
20 to the extent they were General Unsecured Claims, asserted Mechanic's Lien Claims (most of which
21 are believed to be subordinate to the Lehman Secured Claims) and those Bond Obligations that
22 appear to arise from bonds issued on or after the ES Date of August 1, 2007 (which is the
23 approximate commencement date of the alleged conduct that forms the basis of the complaint in the
24 ES Action). Accordingly, to the extent each potential ES Claimant holds an Allowed ES Claim and
25 accepts the ES Settlement Offer, it is estimated that such ES Claimant will receive recovery on
26 account of its Allowed ES Claim of not less than approximately 6.6%. It should be noted that in
27 calculating the ES Claims Estimate, no reductions were made for various factors that would likely
28 result in a significant reduction of the ES Claims Estimate, namely: (a) no analysis was done and

1 therefore no reduction was made to eliminate Claims (other than Claims Filed by the Bond Issuers)
2 which likely do not qualify as ES Claims (*i.e.*, claims which arose prior to August 1, 2007) or which
3 may otherwise be ultimately disallowed in accordance with the Claims allowance process in the
4 Debtors' Cases, (b) although Claims Filed by Bond Issuers in respect of bonds issued prior to
5 August 1, 2007 were disregarded for purposes of the ES Claims Estimate, no reduction was made to
6 the ES Claims Estimate to account for the fact that many of the Claims Filed by contractors and
7 other parties are secured by payment bonds issued by the Bond Issuers who have accounted for such
8 Claims in their own Proofs of Claims, thereby resulting in "overlapping" Claims, (c) Claims of Bond
9 Issuers arising from performance bonds are contingent and will likely be significantly less than the
10 face amount of such performance bonds (which face amounts provided the basis for the Proofs of
11 Claim Filed by the Bond Issuers) depending upon whether performance is demanded by the
12 beneficiaries of such bonds and/or the actual cost of such performance. It is difficult to assess the
13 impact that the factors described above will have upon the ES Claims Estimate but the Lehman
14 Proponents believe that these factors will result in a significant reduction in the ES Claims Estimate
15 and thereby increase the estimated recovery for the ES Claims that actually are Allowed.

16 **(ii) Continued Prosecution of Equitable Subordination Claims.**

17 Unless all of the Estates of the ES Plan Debtors accept the ES Settlement Offer (through the
18 acceptance of the ES Settlement Offer by at least one-half in number and two-thirds in amount of the
19 voting ES Claimants of each such ES Plan Debtor's Estate), resulting in a dismissal (with prejudice),
20 release and settlement of all Equitable Subordination Claims of all ES Plan Debtors' Estates, the
21 Liquidating Trustee may continue prosecution of the Equitable Subordination Claims in an ES
22 Action seeking any alleged damages, subordination or other remedies that may be available for the
23 benefit of and attributable to the ES Claims of any Non-Settling ES Claimants, as determined by the
24 court with jurisdiction over such actions; provided, that the PRA Recovery Security Pool will be the
25 sole source for recovery on an ES Judgment, unless a Lehman Lender elects to pay Cash in lieu
26 thereof.

27 **(iii) ES Litigation Loan.** Unless all of the ES Plan Debtors'

28 Estates accept the ES Settlement Offer (through the acceptance of the ES Settlement Offer by at least

one-half in number and two-thirds in amount of the voting ES Claimants of each such ES Plan Debtor's Estate), a Lehman Lender will make available a loan in the aggregate principal amount of up to \$1 million to the Liquidating Trustee for the Estates of those ES Plan Debtors for which the Liquidating Trustee continues to prosecute Equitable Subordination Claims, which loan may be used solely for the payment of ES Litigation Expenses (as more fully defined below, the "ES Litigation Loan").

(iv) **Concessions by Lehman Lenders to Facilitate Collection of an ES Judgments.** Although the Lehman Lenders believe they will defeat any Equitable Subordination Claims in an ES Action, to further incentivize support of all ES Claimants for the Lehman Plan, including Non-Settling ES Claimants, the Lehman Lenders, solely in connection with and for confirmation and the effectiveness of the Lehman Plan, agree to the following in connection with entry of an ES Judgment subordinating the Lehman Secured Claims to the ES Claims, if any such judgment is entered:

(1) **Excess Values Otherwise Available to Pay the Lehman Creditors from Certain ES Plan Debtors' Projects Are to be Collateral for Equitable Subordination Claims that Benefit ES Claimants of Other ES Plan Debtors.** For some particular ES Plan Debtors' Estates, the Net Cash Proceeds from the sale of their PRA Security Projects or other Assets likely would be insufficient to pay the Allowed ES Claims against those Estates and, for other particular ES Plan Debtors' Estates, such Net Cash Proceeds likely would exceed the Allowed ES Claims against their Estates. Instead of any such excess Net Cash Proceeds being available next to the Lehman Creditors, as Holders of Secured Claims or subordinated Secured Claims against those Estates, the Lehman Creditors, to their own detriment, have agreed, by virtue of permitting the PRA Recovery Security Pool to secure all ES Judgments, to voluntarily subordinate their remaining Secured Claims in any such excess values in the PRA Security Projects to any unpaid portion of an ES Final Judgment as to other ES Plan Debtors' Estates.

(2) **To Obtain the ES Judgment in the First Instance for Del Rio and SJD Partners, No Showing Will be Required that the Subject Estates Had Enough Value In Them to Pay their ES Claims Without Regard to Any Lehman Secured Claim.** As to

the Estates of Del Rio and SJD Partners only, Lehman ALI and Fenway Capital will waive an objection or defense, that, even if the applicable Lehman Secured Claim was ignored, there was insufficient value in those Estates to pay their Allowed ES Claims and, as to SJD Partners, that they are inappropriate defendants as to a non-recourse judgment secured by the PRA Recovery Security Pool, provided that (I) all other grounds necessary to obtain an ES Judgment have been satisfied, and (II) the Estates of Del Rio and SJD Partners execute the Del Rio / SJD Partners Release within forty-five (45) days following the Effective Date.

(3) There is to be a BFP Waiver by Fenway Capital.

The defense to the ES Action by Fenway Capital (which the Bankruptcy Court determined is a Lehman Successor) that Fenway Capital is a *bona fide* purchaser for value of certain applicable Lehman Loans, such that the actions or conduct of the Lehman Lenders could not be attributed to Fenway Capital due to such status, is to be waived if the Credit Bid Conditions are satisfied and if Fenway Capital affirmatively consents in writing. (The Lehman Lenders are exercising good faith efforts to obtain the affirmative consent in writing of Fenway Capital to the BFP Waiver.)

(j) Plan Funding by Lehman Lenders. In addition to the \$10 million to be deposited on the Effective Date as a reserve for the Guaranteed Minimum Distribution, the Lehman Lenders will make substantial other funding available to enable the confirmation and implementation of the Lehman Plan, including payment of Administrative Claims, Project related expenses, certain Post-Confirmation Expenses and certain settlement amounts. Such funding will be provided either (i) through new transfers of Cash by a Lehman Lender, or (ii) by the Lehman Lenders forgoing the full extent of adequate protection to which Lehman Creditors otherwise would claim entitlement with respect to their substantial Cash Collateral being held in escrow or held by the Estates and instead permitting use of such Cash Collateral, as and to the extent set forth more fully in the Lehman Plan.

1.6 Recommendations.

Your vote on the Lehman Plan is important. The Lehman Creditors urge you to vote accept the Lehman Plan by completing and returning the enclosed ballot(s) no later than the Voting Deadline (defined below) and urge the ES Claimants to vote to accept the ES Settlement Offer and

1 execute and deliver the requested releases.

2 The Voting Deadline is set forth in a notice or order, which is sent as an
3 accompaniment to the Lehman Disclosure Statement.

4 **II.**

5 **PLAN CONFIRMATION DEADLINES**

6 The Bankruptcy Court has not confirmed the Lehman Plan described in this Lehman
7 Disclosure Statement. Accordingly, the terms of the Lehman Plan are not binding on anyone.
8 However, if the Bankruptcy Court confirms the Lehman Plan, then the Lehman Plan will be binding
9 on the affected Debtors and on all Creditors and Holders in those Cases.

10 **2.1 Time and Place of the Confirmation Hearing.**

11 The hearing where the Bankruptcy Court will determine whether or not to confirm the
12 Lehman Plan will take place at 411 West Fourth Street, Santa Ana, California 92701-4593 at _ .m.,
13 in Courtroom 5A.

14 **2.2 Deadline for Voting for or Against the Lehman Plan.**

15 If you are entitled to vote, it is in your best interest to timely vote on the enclosed
16 ballot and return the ballot and, if applicable, the ES Claimant Release and Assignment to:

17 Pachulski Stang Ziehl & Jones LLP
18 10100 Santa Monica Blvd., 11th Floor
19 Los Angeles, California 90067-4100
Attention: _____

20 Your ballot must be **received by** _____, 2009 (the "**Voting Deadline**"), or it will
21 not be counted.

22 **2.3 Deadline for Objecting to the Confirmation of the Lehman Plan.**

23 Objections to the confirmation of the Lehman Plan must be Filed with the Bankruptcy
24 Court, and served upon the following parties so that they are received by _____,
25 2009:

Counsel for Lehman Creditors	Richard M. Pachulski Dean A. Ziehl Robert B. Orgel Jeremy V. Richards PACHULSKI STANG ZIEHL & JONES LLP 10100 Santa Monica Blvd., 11th Floor Los Angeles, California 90067-4100
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Edward Soto Shai Waisman WEIL, GOTSHAL & MANGES LLP 767 Fifth Avenue New York, NY 10153-0119
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2.4 Identity of Person to Contact for More Information Regarding the Lehman

Plan.

Any interested party desiring further information about the Lehman Plan should contact the Lehman Creditors' counsel, Pachulski Stang Ziehl & Jones LLP, 10100 Santa Monica Boulevard, 11th Floor, Los Angeles, California 90067, (310) 277-6910, attention: Richard M. Pachulski, Robert M. Orgel, or Jeremy V. Richards.

2.5 Disclaimer.

The information contained in this Lehman Disclosure Statement in Section 3.1, 3.2, the Table of Claims and notes relating thereto in Section 3.3, SunCal's stated opinions of value in Section 3.4, Section 6.16 and Section 6.17, is either provided by the Debtors or the Trustee or is contained in the Elieff Disclosure Statement. Additionally, this Disclosure Statement from time to time notes within the text when the Lehman Proponents are specifically relying upon information provided or disclosed by either the Debtors or Elieff. The Lehman Proponents represent that they are unaware of any material inaccuracies in the information set forth herein.

The Bankruptcy Court has not yet determined whether or not the Lehman Plan is confirmable and makes no recommendation as to whether or not you should support or oppose the Lehman Plan.

The discussion in this Lehman Disclosure Statement regarding the Debtors may contain "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward looking terminology such as "may," "expect," "anticipate," "estimate," or "continue," or the negative thereof or other variations thereon or comparable terminology. The reader is cautioned that all forward looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward looking statements. The liquidation analyses,

1 distribution projections, projections of financial results and other information are estimates only, and
2 the timing, amount and value of actual distributions to Creditors may be affected by many factors
3 that cannot be predicted. Therefore, any analyses, estimates, or projections mayor may not turn out
4 to be accurate.

5 **III.**

6 **BACKGROUND OF THE DEBTORS**

7 **3.1 The SunCal Companies and the Debtors.**³

8 SunCal's business focused upon the "development" of residential land. A typical
9 SunCal development began with the acquisition of one or more parcels of raw land. Thereafter, the
10 SunCal team developed a master plan for the acreage that incorporated streets, homes, parks, schools
11 and commercial areas, and then it worked with the applicable municipal planning authorities (the
12 city, county, state and federal) to secure the necessary approvals or "entitlements" to achieve such
13 plan. This process, which required the assistance of land planners, civil engineers, architects,
14 lawyers, and other land specialists, took a period of years. Once a master plan had been approved,
15 SunCal provided for the grading of the project and the installation of the foundational infrastructure
16 (streets, utilities, etc.) and then sold the lots or parcels within the project to merchant builders.

17 The land development process is inherently capital intensive due to size and costs of
18 the assets being acquired, the front-loaded capital requirements, and the length of time between the
19 initial acquisition and the ultimate realization of profits. A typical SunCal project was financed
20 through an equity contribution coupled with a land or acquisition loan. Thereafter one or more
21 development and entitlement credit facilities would either be incorporated into the acquisition loan,
22 or an entirely new facility would be obtained to fund the development. In some cases a layer of
23 mezzanine debt (secured by an equity ownership interest in the entity that owns the project) was
24 employed to provide additional funding.

25 SunCal historically financed its projects with land acquisition and development loans
26 using a number of different lenders, but over the past five years, the company formed a relationship
27 with the Lehman Lenders and the Lehman Lenders became SunCal's largest funding source.

28

³ The information set forth in this Article III is largely obtained from the Elieff Disclosure Statement. This information
is designed to provide to the reader with a general background understanding of the Debtors and their operations.

The Debtors are twenty-six (26) entities formed to develop the Projects throughout California. Some of the Debtors directly own the Projects and others serve as holding companies, owning Allowed Interests in the Debtors that hold title to the Projects. SunCal Management, LLC, a non-debtor entity owned and controlled by Elieff.

Attached hereto as Exhibit "1" is a list and general description of various notices of potential health and safety issues asserted by various government agencies with respect to the Projects, which information has been supplied by the Debtors.

3.2 The Debtors' Primary Assets.

The following is a general description of the Debtors and their primary Assets (other than the Litigation Claims) as of their respective Petition Dates, based solely upon the Debtors' disclosures in the Elieff Disclosure Statement:

<u>NAME OF DEBTOR</u>	<u>ASSET DESCRIPTION</u>
Palmdale Hills (Voluntary Debtor)	Palmdale Hills owns the Ritter Ranch Project. The Ritter Ranch Project consists of a 10,625 acre site situated in the City of Palmdale, in Los Angeles County, California. Grading of the first phase is complete with master infrastructure nearly 90% complete. The specific plan and the development agreement were approved in 1992 and allow for the development of up to 7,200 residential units. A vesting tentative parcel map consisting of 42 parcels has been processed and was recorded in 1995. Additionally, six vesting tentative tract maps totaling 553 lots were approved by the city in December 1995. All regulatory permits have been received.
SCC Palmdale (Voluntary Debtor)	Palmdale Hills also owns personal property in the form of cash in the amount of approximately \$21 million and the Palmdale Hills CFD Bonds. SCC Palmdale does not own any real property. SCC Palmdale is the Holder of the Allowed Interest in Palmdale Hills.
Acton Estates (Voluntary Debtor)	Action Estates owns the Acton Project consisting of a 175-acre site situated in Los Angeles County, California. The Acton Project is surrounded by mostly equestrian properties and light agricultural vacant land. The Acton Project is expected to consist of 136 units.
SunCal Beaumont (Voluntary Debtor)	SunCal Beaumont owns the Beaumont Heights Project, that originally consisted of a 1,191-acre site situated in the City of Beaumont, in Riverside County, California. The property is currently designated as low density residential use -rural residential use. The City of Beaumont is in the process of

NAME OF DEBTOR

ASSET DESCRIPTION

amending the general plan, preparing an environmental impact report and annexing the assemblage. The specific plan and tentative tract map are in the drafting stage. The Beaumont Heights Project was expected to consist of 1,203 units. A portion of the Beaumont Heights Project has been lost through foreclosure sales completed prior to the Petition Date.

SunCal Bickford
(Voluntary Debtor)

SunCal Bickford owns the Bickford Ranch Project, consisting of a 1,940-acre site situated in the City of Penryn, in Placer County, California. The Bickford Ranch Project is fully entitled with an approved large lot tentative map, small lot tentative map, specific plan, design guidelines, development standards, and a development agreement. The offsite water and sewer improvements are mostly complete. Improvement plans for major roads and in-tract improvements were in process of being completed and a memorandum of understanding between the City and County for the regional sewer pipeline was in process. The Bickford Ranch Project is expected to consist of 2,105 units.

SunCal Bickford owns personal property in the approximate amount of \$2,305,523 in the form of cash.

SunCal Emerald
(Voluntary Debtor)

SunCal Emerald owns the Emerald Meadows Project, consisting of a 178-acre site situated in the City of Rubidoux, in Riverside County, California. The specific plan, general plan and the environmental impact report were approved in October 2005. The tentative tract map & final map were in process. The Emerald Meadows Project is expected to consist of 1,002 units.

SunCal Johansson
(Voluntary Debtor)

SunCal Johansson owns the Johansson Ranch Project, consisting of a 501-acre site in the City of Modesto, in Stanislaus County, California. Tentative maps were in the process of being prepared. Engineering plans and preparation of the draft specific plan were commenced prior to the filing of the Debtors' Cases. The SunCal Johansson Project is expected to consist of 921 units.

SJD Partners
(Voluntary Debtor)

SJD Partners currently owns no real property. SJD Partners formerly owned a project located in San Juan Capistrano known as the "Pacific Point Project." The Pacific Point Project was lost through a non-judicial foreclosure sale by Lehman ALI, pursuant to which a Lehman Affiliate, LV Pacific Point LLC ("LV PacPoint"), a Delaware limited liability company, purchased the Pacific Point Project at a foreclosure sale conducted on August 28, 2008. SJD Partners alleges a potential preference claim and other causes of action against the LV PacPoint (*See* Article IV, below.) SJD Partners owns personal property in the approximate amount of \$110,485, consisting of cash and accounts receivable.

NAME OF DEBTOR

ASSET DESCRIPTION

SJD Development
(Voluntary Debtor)

SJD Development does not own any real property. SJD Development is the Holder of an Allowed Interest in SJD Partners.

SunCal Summit Valley
(Voluntary Debtor)

SunCal Summit Valley owns the Summit Valley Project that originally consisted of a 2,500-acre site situated in the City of Hesperia, in San Bernardino County, California. The City of Hesperia's general plan allows for low density residential development. SunCal Summit Valley anticipated approximately 2.5 lots per acre over the entire assemblage. Most of the technical studies for the environmental impact report were completed. The Summit Valley Project was previously expected to consist of 6,023 units. A part of the Summit Valley Project has been lost through foreclosure proceedings completed prior to the Petition Date.

SunCal Summit Valley is the Holder of the Allowed Interests in Seven Brothers and Kirby Estates.

Seven Brothers
(Voluntary Debtor)

Seven Brothers owned 900 acres of the Summit Valley Project, a portion of which has been lost through foreclosure proceedings completed prior to the Petition Date.

Kirby Estates
(Voluntary Debtor)

Kirby Estates owns 27 acres of the Summit Valley Project.

SCC Communities
(Voluntary Debtor)

SCC Communities owns the Joshua Ridge Project, consisting of an 80-acre site situated in the City of Victorville in San Bernardino County, California. The Joshua Ridge Project was slated to be sold to the city and the city was scheduled to use the land to build a park or a school.

Tesoro
(Voluntary Debtor)

Tesoro owns the Tesoro Project consisting of a 185-acre site situated in the City of Santa Clarita in Los Angeles County, California. The existing entitlements include a tentative tract map approved by the planning commission, which allows for 45 lots.

Del Rio
(Voluntary Debtor)

Del Rio does not own any real property. Del Rio owns the Del Rio CFD Bond Proceeds after use and application as provided in an Acquisition Agreement to be entered into between Del Rio and the City of Orange. The Acquisition Agreement will set forth certain terms for the acquisition of various facilities by the City of Orange from Del Rio, the issuance of the Del Rio CFD Bonds and the use and application of a portion of the proceeds of the Del Rio CFD Bonds for the construction of certain improvements and other applications, and with the remaining proceeds to go to Del Rio. It is anticipated that the Acquisition Agreement will provide for a

NAME OF DEBTOR

ASSET DESCRIPTION

maximum bond authorization in the amount of up to \$25 million. The Acquisition Agreement has not been finally negotiated and the maximum authorization amount may change.

SunCal I
(Voluntary Debtor)

SunCal I does not own any real property. SunCal I is the Holder of Allowed Interests in Acton Estates, SunCal Bickford, SunCal Beaumont, SunCal Summit Valley, SunCal Johansson and SunCal Emerald.

SunCal III
(Voluntary Debtor)

SunCal III owns no real or personal property.

Delta Coves
(Trustee Debtor)

Delta Coves owns the Delta Coves Project consisting of a 310-acre site which is located on Bethel Island within Contra Costa County. The Delta Coves Project is expected to consist of 494 waterfront residential lots, some of which will be condominiums/townhomes and some of which will contain private boat docks. The Delta Coves Project is expected to include an interior lagoon that will provide direct boating access to San Joaquin River Delta.

SunCal Heartland
(Trustee Debtor)

SunCal Heartland owns the Heartland Project consisting of a 417 acre site located in Riverside County, California. The Heartland Project is expected to consist of 983 units.

SunCal Marblehead
(Trustee Debtor)

SunCal Marblehead owns the Marblehead Project, consisting of a 247-acre site and is expected to consist of 308 units in San Clemente, California. The development is expected to offer canyon and ocean views from a number of lots throughout the Marblehead Project.

SunCal Marblehead also owns personal property in the approximate amount of \$1,176,584 in the form of cash.

SunCal Northlake
(Trustee Debtor)

SunCal Northlake owns the Northlake Project, consisting of a 1,564-acre site which is located in Castaic, California, north of Valencia, approximately 45 miles north of downtown Los Angeles and 10 miles north of the San Fernando Valley. The Northlake Project is expected to consist of 3,417 units.

SunCal Northlake also owns personal property in the amount of \$967,728 in the form of cash.

SunCal Oak Valley
(Trustee Debtor)

SunCal Oak Valley owns the Oak Valley Project consisting of a 985-acre site which is located in Riverside County, California. The Oak Valley Project consists primarily of residential property and is expected to also include two commercial sites, one school site and

NAME OF DEBTOR

ASSET DESCRIPTION

several parks. The Oak Valley Project is expected to consist of 3,417 units.

SunCal Century City
(Trustee Debtor)

SunCal Century City owns the 10000 Santa Monica Project, consisting of a 2-acre site which is located at the eastern edge of Century City, in Los Angeles County, California. The 10000 Santa Monica Project is expected to consist of 163 condominium units.

SunCal PSV
(Trustee Debtor)

SunCal PSV owns the Palm Springs Village Project, consisting of a 309-acre site which is located in the City of Palm Springs, California. The current proposed development consists of 752 single family units, 398 multi-family units, an 18-hole executive golf course, a driving range, a golf clubhouse and recreational facilities.

SunCal Torrance
(Trustee Debtor)

SunCal Torrance owns the Del Amo Project, consisting of a 14-acre site which is located in the City of Torrance in Los Angeles County, California. The site is currently a section of the Del Amo Fashion Center complex, a 3 million square feet retail mall. The Del Amo Project is expected to consist of 365 units.

SunCal Oak Knoll
(Trustee Debtor)

SunCal Oak Knoll owns the Oak Knoll Project, consisting of a 172.5-acre site which is located in the City of Oakland, California. The Oak Knoll Project is expected to be a diverse master planned community that includes 960 residential units, including single family homes, town homes and apartments. The Oak Knoll Project is also expected to consist of six restaurant spaces, along with a grocery anchor.⁴

3.3 Debt and Capital Structure.

In the case of the seventeen Voluntary Debtors, SunCal Affiliates are the owners of one hundred percent (100%) of the equity and SunCal Affiliates have full corporate governance authority over the Voluntary Debtors. Eleven (11) of the Voluntary Debtors own nine (9) Projects:

(a) Four (4) Projects (Ritter Ranch Project; Acton Estates Project; Emerald Meadows Project; and Bickford Ranch Project) are owned, respectively, by Palmdale Hills, Acton Estates, SunCal Emerald, and SunCal Bickford. Lehman Commercial asserts a first priority lien by virtue of first-priority deeds of trust on each of these four Projects.

⁴ The SunCal Oak Knoll Project is subject to various notices of public health and safety violations and conditions, including those set forth in Exhibit "1" to this Disclosure Statement. The Debtors estimate that the cost of remediating the violations recited in such notices is approximately \$6 million. The City of Oakland issued an order to abate on June 12, 2009 but no action has yet been taken to abate the violations.

(b) Two (2) Projects (the Joshua Ridge and Tesoro Projects) are owned, respectively, by SCC Communities and Tesoro. Lehman ALI is the primary secured creditor on each of these two additional Projects.

(c) Two (2) Projects (the Johannson Ranch Project and Beaumont Heights Project) are owned, respectively, by SunCal Johannson and SunCal Beaumont. Lehman Commercial holds a first priority pledge of the membership interests in SunCal Johannson and SunCal Beaumont.

(d) One (1) Project (SunCal Summit Valley) is owned by three Debtors: SunCal Summit Valley, Kirby Estates and Seven Brothers, which each own a portion of the Project. Lehman Commercial holds a first priority pledge of the membership interests in SunCal Summit Valley, which in turn owns Kirby Estates and Seven Brothers.

Additionally, besides holding a first priority Lien directly on the Ritter Ranch Project, Lehman Commercial holds a first priority pledge of the membership interests in Palmdale Hills, which is the owner of the Ritter Ranch Project. Further, Lehman ALI was also the primary secured creditor of SJD Partners' Pacific Point Project prior to a non-judicial foreclosure sale of the Pacific Point Project in August of 2008.

Various unrelated third parties are the primary secured creditors with respect to certain portions of two (2) of the Voluntary Debtors' Projects (SunCal Beaumont and SunCal Summit Valley -including portions thereof owned by Seven Brothers).

Although the equity interests in the entities owning the Johannson Ranch Project, the Summit Valley Project, and the Beaumont Heights Project have been pledged to the Lehman Lenders, there are no primary secured creditors on the following Projects or portions thereof: (i) the Johannson Ranch Project, (ii) portions of the Summit Valley Project, including portions owned by Kirby Estates and Seven Brothers, and (iii) portions of the Beaumont Heights Project.

As to the nine (9) Trustee Debtors, there are currently nine (9) Projects (the Delta Coves, the Heartland, the Marblehead, the Northlake, the Oak Valley, the Oak Knoll, the 10000 Santa Monica, the Palm Springs Village, and Del Amo Projects).

As of the Petition Dates, Affiliates of SunCal and Lehman Brothers Holdings Inc.

both Interest Holders and (with the exception of the 10000 Santa Monica Project) the Lehman Lenders held a first priority lien and security interest in and to each of the foregoing Projects. Danske Bank alleges a first priority lien and security interest in and to the 10000 Santa Monica Project.

In addition to the foregoing, there are miscellaneous Real Property Tax Claims, Other Secured Claims, Mechanic's Lien Claims, Priority Claims, Administrative Claims and General Unsecured Claims asserted against each of the Projects and each of the Debtors, summarized in the chart below (which chart is compiled from information disclosed in the Elieff Disclosure Statement).

DEBTOR	REAL PROPERTY TAX CLAIMS	ALLEGED SECURED CLAIMS	ALLEGED MECHANIC LIEN CLAIMS	PRIORITY AND ADMINIS- TRATIVE CLAIMS	GENERAL UNSECURED CLAIMS
Palmdale Hills	\$1,037,377	\$287,252,096	\$1,006,435	\$499,970	\$33,027,677
SSC Palmdale	\$0	\$119,664,305	\$0	\$0	\$0
SunCal Heartland	\$559,022	\$354,325,126	\$1,552,794	\$231,873	\$30,774,591
SunCal Marblehead	\$379,156	(same as SunCal Heartland)	\$1,406,209	\$740,382	\$109,697,964
SunCal Beaumont	\$365,954	\$4,825,659	\$46,188	\$33,672	\$183,731
SunCal Oak Knoll	\$2,356,036	\$158,141,365	\$4,794,529	\$874,609	\$1,041,373
SunCal Torrance	\$567,669	(same as SunCal Oak Knoll)	\$0	\$160,914	\$203,838
SCC Communities	\$5,900	\$23,795,013	\$0	\$27,072	\$32,813
Del Rio	\$0	(same as SSC Communities)	\$0	\$261,542	\$8,242,033
Tesoro	\$70,239	(same as SSC Communities)	\$0	\$118,891	\$170,969
SunCal Bickford	\$2,887,678	\$343,221,391 (Bickford 1 st)	\$3,477,120	\$345,221	\$10,146,825
		\$56,494,059 (Bickford 2 nd)		\$0	
SunCal Emerald	\$284,974	(same as Bickford 1 st)	\$1,279,043	\$188,695	\$7,878,901
Acton Estates	\$200,454	(same as Bickford 1 st)	\$0	\$59,242	\$1,428,250
SunCal I	\$0	(same as Bickford 1 st)	\$0	\$0	\$0
Summit Valley	\$573,775	(same as Bickford 1 st)	\$16,827	\$48,018	\$1,076,053
		\$2,504,750			
SunCal III	\$0	(same as Bickford 1 st)	\$0	\$0	\$459

DEBTOR	REAL PROPERTY TAX CLAIMS	ALLEGED SECURED CLAIMS	ALLEGED MECHANIC LIEN CLAIMS	PRIORITY AND ADMINIS- TRATIVE CLAIMS	GENERAL UNSECURED CLAIMS
Seven Brothers	\$60,828	\$3,427,066	\$0	\$0	\$0
Kirby Estates	\$1,744	\$0	\$0	\$0	\$0
SunCal Johannson	\$75,107	\$0	\$0	\$34,101	\$41,181
Delta Coves	\$609,222	\$206,023,142	\$122,535	\$448,061	\$35,192,631
SJD Development	\$0	\$120,110,237	\$0		\$368,362
SJD Partners	\$0	(same as SJD Development)	\$0	\$244,090	\$51,265,349
SunCal Century City	\$1,407,213	\$120,000,000	\$1,434,520	\$1,040,005	\$3,289,632
SunCal Northlake	\$1,189,919	\$123,654,777	\$0	\$421,783	\$911,296
SunCal Oak Valley	\$280,280	\$141,630,092	\$1,662,309	\$138,443	\$29,605,482
SunCal PSV	\$589,367	\$88,257,340	\$2,316,430	\$315,213	\$21,892,343
Total	\$13,501,914	\$2,153,326,418	\$19,114,939	\$6,231,797	\$346,471,753

- Certain Proofs of Claims Filed against Palmdale Hills appear to be misfiled and relate to other Debtors.

- Certain Disputed Claims, such as duplicative Claims, have been deducted from the figures above.

- The Debtors have not yet completed their investigation on what Claims are Allowed Claims and their listing herein or in the Lehman Plan should not be construed as providing for Allowance under the Lehman Plan unless expressly so provided. Administrative Claims are ongoing.

- \$275,918 of Mechanic's Lien claims asserted against Del Rio and \$1,996,537 of Mechanic's Lien claims asserted against SJD Partners have been classified as General Unsecured Claims since neither Del Rio nor SJD Partners own any underlying real property.

- The Debtors have assumed Bond Claims (and corresponding Bond Obligations) according to the Bond Claims (and corresponding Bond Obligations) arising from the particular Debtors' Projects. The Bond Issuers have asserted various Bond Obligations against the Debtors in the approximate amount of \$230 million (representing approximately \$155 million by Arch and \$75 million by Bond Safeguard, some of which Claims are not the subject of timely Filed proofs of claim). The Bond Issuers assert that the Bond Obligations are joint and several obligations of and thus Claims against all of the Debtors, which the Debtors dispute as lacking consideration and

fraudulent conveyances to the extent that such Bond Obligations do not arise from or exceed the amount of Bond Obligations attributed to the Project of each Debtor. The Lehman Lenders adopt this view and further believe that Arch can only assert liability against the Debtor for whose benefit it issued a bond as the Debtors have no joint and several liability with respect thereto.

- The Debtors believe that the \$368,362 Claims Filed against SJD Development should have been Filed against SJD Partners

The Lehman Lenders do not believe that the liquidated Bond Claims (and corresponding Bond Obligations) will be nearly as much as the face amount of Bond Claims (and corresponding Bond Obligations) allocated by the Debtors to each Project. For instance, certain of the Bond Obligations include bonded obligations for projects that do not relate to any of the Projects or Debtors. Further, as of March 2009, the liquidated claims of Arch (the Debtors' primary bonding company) were only \$132,000 based upon proofs of claim Filed by Arch in the Bankruptcy Cases. Further, the majority of the Bond Claims (and corresponding Bond Obligations) relate to obligations under performance bonds. At this time, it is unknown what portion of the Bond Claims (and corresponding Bond Obligations) will ultimately become liquidated. Under the Lehman Plan, none of the Bond Claims (and corresponding Bond Obligations) will be assumed by any Lehman Nominee purchasing one or more of the Projects pursuant to the sales procedures set forth herein.

3.4 Asset Values.

The below chart sets forth the appraised value of most of the Debtors' Projects based upon appraisals prepared for the Lehman Lenders during the pendency of the Bankruptcy Cases, and SunCal's stated valuation opinions for all of the Projects and the Del Rio CFD Bond Proceeds.

NAME OF DEBTOR	APPRAISED VALUE OF DEBTORS' PROJECTS BASED UPON APPRAISALS PREPARED FOR LEHMAN LENDERS DURING THE PENDENCY OF THE DEBTORS' CHAPTER 11 PROCEEDING	SUNCAL'S STATED VALUATION OPINIONS ⁵
SunCal Bickford	\$29,500,000	\$21,000,000
SunCal Emerald	\$12,000,000	\$6,000,000

⁵ The Debtors represent that the valuations set forth below were prepared by its internal underwriting team using criteria consistent with the team's acquisition of real properties. The Lehman Proponents have not verified, nor do they vouch for the valuation techniques adopted by the Debtors.

NAME OF DEBTOR	APPRAISED VALUE OF DEBTORS' PROJECTS BASED UPON APPRAISALS PREPARED FOR LEHMAN LENDERS DURING THE PENDENCY OF THE DEBTORS' CHAPTER 11 PROCEEDING	SUNCAL'S STATED VALUATION OPINIONS ⁵
Palmdale Hills	\$42,900,000	\$27,000,000
Tesoro	\$1,850,000	\$1,500,000
SCC Communities	\$1,200,000	\$1,000,000
SunCal Marblehead	\$187,500,000	\$74,000,000
SunCal Heartland	\$7,900,000	\$5,000,000
OVC Holdings	\$20,900,000	\$12,000,000
Northlake Holdings	\$23,000,000	\$4,000,000
SunCal Oak Knoll	\$48,000,000	\$32,000,000
SunCal PSV	\$13,800,000	\$10,000,000
SunCal Torrance	\$25,000,000	\$16,000,000
Delta Coves	\$25,200,000	\$22,000,000
SunCal Century City	\$50,900,000	\$39,000,000
SunCal Beaumont	\$1,200,000 (SunCal Opinion)	\$1,200,000
Acton Estates	\$6,800,000	\$3,400,000
SunCal Johannson	\$4,000,000	\$2,100,000
SunCal Summit Valley	\$2,200,000	\$750,000
Kirby Estates	\$2,800,000	1,000,000
Seven Brothers	\$200,000	\$75,000
Del Rio	\$4,500,000 (SunCal Opinion)	\$4,500,000
SJD Partners	\$25,000,000 (SunCal Opinion)	\$25,000,000
TOTAL	\$536,350,000	\$308,525,000

• The Lehman Lenders' appraised value of the Summit Valley Project includes the portions of the Summit Valley Project owned by Seven Brothers and Kirby Estates. The appraisal values the property that is owned outright by SunCal Summit, Seven Brothers and Kirby Estates, and not subject to other third-party seller financing lien holders.

• The Lehman Creditors do not have an appraisal of the Project belonging to SunCal Beaumont. However, the Lehman Lenders have a Lien on SunCal I's Allowed Interest in SunCal Beaumont. SunCal has stated that it believes that the value of the Beaumont Heights Project is \$1,200,000, net of portions of the Project that are expected to be lost through foreclosure sales conducted by third-party seller financing lien holders.

• The Lehman Creditors do not have an estimate for the Del Rio CFD Bond Proceeds. SunCal has stated that it believes that the Del Rio CFD Bond Proceeds subject to the Lehman Lenders' liens have a value of \$4.5 million.

• The Lehman Creditors do not have an appraisal for the Pacific Point Project (SJD Partners' former Project which is subject to a potential Avoidance Action discussed below). Lehman ALI non-judicially foreclosed on the Pacific Point Project on August 28, 2008, and an Affiliate of Lehman ALI (LV Pacific Point LLC) acquired title to the Pacific Point Project at the foreclosure sale. SunCal has stated that it believes the Pacific Point Project has a fair market value of \$25 million.

3.5 A Summary of the Lehman Creditors' Loans.

Of the 18 Remaining Real Estate Projects of the Debtors, 14 are subject to first priority Liens in favor of the Lehman Creditors by virtue of first-priority deeds of trust:

- (a) Ritter Ranch Project;
- (b) Acton Estates Project;
- (c) Emerald Meadows Project;
- (d) Bickford Ranch Project;
- (e) Joshua Ridge Project;
- (f) Tesoro Project;
- (g) Delta Coves Project;
- (h) Heartland Project;
- (i) Marblehead Project;
- (j) Northlake Project;
- (k) Oak Valley Project;

- (l) Oak Knoll Project;
- (m) Palm Springs Village; and
- (n) Del Amo Project.

As to another three of the Remaining Real Estate Projects or portions thereof, the Lehman Lenders hold first priority Liens against the two parent Debtors' Interests in the five (5) Debtors that own the Projects:

	<u>Parent Debtor Holding Pledged Interests</u>	<u>Collateral</u>	<u>Owner Debtor</u>	<u>Project</u>
(iv)	SunCal Summit Valley	LLC Interests in Kirby Estates	Kirby Estates	Summit Valley Project (portion)
(v)	SunCal Summit Valley	LLC Interests in Seven Brothers	Seven Brothers	Summit Valley Project (portion)

As to the final project, 10000 Santa Monica Project, Danske Bank holds the first priority Lien.

The Lehman Lenders also hold other Liens in other of the Debtors' property, *e.g.*, a Lien in the Del Rio CFD Bond Proceeds, Liens against SunCal I's Interests in SunCal Bickford, Acton Estates and SunCal Emerald, a second priority Lien against the Bickford Ranch Project, a Lien against SCC Palmdale's Interest in Palmdale Hills and a Lien in all, or substantially all, of the Debtors' cash balances (Cash Collateral) and receivables and other rights relating to the Projects in which they assert Liens.

The various Lehman Loans, the entities against which they are asserted and the Allowed Amount of each Lehman Loan as of the Petition Date for the purposes of the Lehman Plan are all set forth in the classification tables that are set forth herein below and in the Plan.

Some of the Lehman Loans are held in all respects by a single Lehman Creditor. For other Lehman Loans, all or the term loan component of the Lehman Loan was the subject of a repurchase (or repo) agreement with a Lehman Successor (either Fenway Capital or Lehman Re). Additionally, the Court has ruled (in a ruling discussed in section 3.6 below) that, as to certain of the Lehman Loans, Fenway Capital is a transferee of the loans or the term loan component thereof under

1 a repurchase agreement. The Lehman Creditors have reserved all rights in connection with such
2 ruling, including, without limitation, the right to appeal the ruling, assert that the transactions under
3 any repurchase agreement constitutes a transfer for security and not an outright sale, and all of the
4 Lehman Creditors' other rights in connection with the relevant Claims. **Exhibit "2"** to the
5 Disclosure Statement sets forth a table showing, *inter alia*, each of the Lehman Loans and the dollar
6 amount thereof attributable to each Lehman Creditor as owner of the subject loan or the term or
7 revolver component thereof or as counterparty to a repurchase agreement. Based thereupon, eleven
8 of the thirteen relevant Lehman Loans have amounts thereof attributable to the Lehman Lenders, as
9 to which loans or portions of loans the total amount owing by the Debtors is over \$592.1 million.
10 Based thereupon, seven of the thirteen relevant Lehman Loans have amounts thereof attributable to
11 Fenway Capital, as to which loans or portions of loans the total amount owing is over \$1.4 billion.
12 Based thereupon, one of the thirteen relevant Lehman Loans (the Pacific Point First Loan
13 Agreement) has an amount thereof attributable to Lehman Re, as to which term component of such
14 loan the total amount owing by the applicable Debtor is over \$101 million. (Although the obligation
15 under the Pacific Point First Loan agreement presently is a General Unsecured Claim against SJD
16 Partners, the Claim is a contingent Secured Claim, contingent upon the Pacific Point Foreclosure
17 being set aside.) The Lehman Lenders have received written authorization from representatives of
18 Fenway Capital with respect to proposing the Lehman Plan. Presently, Lehman Re and its receivers
19 have not provided the Lehman Proponents such authorization.

20 All of the Lehman Loans are recourse loans as to the respective borrowers' assets. To
21 the extent that Projects subject to the Claims and Liens of the Lehman Creditors are being sold
22 pursuant to the Plan, such sale is taking place pursuant to Bankruptcy Code § 1123(a) and the
23 Lehman Creditors have committed to credit bid in accordance with the procedures and safeguards set
24 forth in the Plan, not pursuant to applicable state judicial or non-judicial foreclosure laws.
25 Accordingly, the Lehman Creditors contend that to the extent the sale of the underlying Project is
26 insufficient to pay their Claims in full, the Lehman Creditors are entitled to assert deficiency claims
27 against all of the Debtors that are liable for the subject loan. The Lehman Creditors are informed
28 and believe that the Debtors and Elieff dispute this contention.

1 The Debtors and Elieff contend that the Lehman Creditors are “insiders” of the
2 Debtors (presumably as that term is defined in Bankruptcy Code § 101(31)). The Lehman Creditors
3 deny the foregoing allegations for, *inter alia*, the reasons set forth in their pending motion to dismiss
4 the Third Amended Complaint in the Lehman Adversary Proceeding. In any event, however, except
5 to the extent that such “insider” status, if proven, may have some bearing on the ability of either the
6 Debtors or the Trustee to equitably subordinate the Claims of the Lehman Creditors (discussed more
7 fully in Section 4.5, below), the Lehman Proponents do not believe that the issue of whether the
8 Lehman Creditors are or are not “insiders” of the Debtors has any bearing on the confirmability of
9 the Plan.

10 **3.6 Filing of Proofs of Claim with Respect to the Lehman Loans.**

11 On or before the bar date for filing proofs of claim, the Lehman Lenders Filed proofs
12 of claim on account of all of the Lehman Loans. All or portions of seven of the outstanding Lehman
13 Loans (the “Repurchase Lehman Loans”) are subject to outstanding repurchase agreements with
14 Fenway Capital. Based upon this fact, the Debtors moved to strike all of the proofs of claim Filed
15 by the Lehman Lenders on the basis that they allegedly do not own the Repurchase Lehman Loans.
16 The Lehman Lenders opposed the motion, asserting that they own the Repurchase Lehman Loans
17 because the repurchase agreements with Fenway Capital were transfers for security only, and that
18 they had the power and authority to File the related proofs of claim.

19 The Bankruptcy Court held a hearing on the foregoing motion to strike on June 30,
20 2009. At that hearing, the Bankruptcy Court determined, over the objection of the Lehman Lenders,
21 that the Repurchase Lehman Loans had actually been “sold” to Fenway Capital (rather than having
22 been pledged to Fenway Capital as collateral for a loan, as asserted by the Lehman Lenders). The
23 Court entered an order on the foregoing issue on October 2, 2009 and the Lehman Creditors intend
24 to appeal such Order. The Bankruptcy Court ruled that the proofs of claim relating to those loans
25 would be stricken unless the Lehman Lenders could prove that they were authorized to File proofs of
26 claim as agent for Fenway Capital. A hearing on this outstanding issue was heard on September 22,
27 2009 and the Court has taken the matter under submission.

28 The Lehman Lenders contend that the Bankruptcy Court’s ruling with respect to the

Repurchase Lehman Loans is erroneous and, if the Bankruptcy Court finally determines that the Lehman Lenders were not authorized to File proofs of claim on account of the Repurchase Lehman Loans, will likely appeal the Bankruptcy Court's ruling. However, even if the Bankruptcy Court rules that the Lehman Lenders were not authorized to File proofs of claim on behalf of the Repurchase Lehman Loans and an appellate court upholds the Bankruptcy Court's ruling, the Lehman Lenders contend that the only effect of such rulings would be that the Lehman Lenders (or Fenway Capital) would be unable to assert unsecured deficiency claims against the Plan Debtors' Estates. The Lehman Lenders believe, however, that such a ruling would not in any way invalidate the Liens in and to the Debtors' assets created pursuant to the Lehman Loans and that all of the rights and remedies relating to such Liens, including the right to foreclose on the underlying collateral and credit bid at a foreclosure sale pursuant to the terms of the Lehman Plan, would not in any way be invalidated or impaired by such rulings.

3.7 Summary of the Debtors' Cash

The following chart (based upon information provided by the Debtors) sets forth the Debtors' cash on hand as of September 25, 2009 for the Trustee Debtors and as of October 9, 2009 for the Voluntary Debtors. The Lehman Creditors contend that some or all of the following amounts are subject to its Liens and therefore constitute their "cash collateral."

<i>Debtors</i>	<i>Amount</i>
Palmdale Hills – ELR Escrow	\$ 2,190,234
Palmdale Hills	16,681,498
Palmdale Hills	4,446,250
Palmdale Hills	2,712,312
Palmdale Hills	1,424,058
SunCal Emerald	42,403
SunCal Bickford	2,305,491
SunCal Bickford	38,808
Acton Estates	107

<i>Debtors</i>	<i>Amount</i>
Tesoro	71
Del Rio	72
Kirby Estates	10
SCC Communities	5,509
SCC Palmdale	27
SJD Development	211
SJD Partners	10,977
Seven Brothers	173
SunCal Beaumont Heights	11
SunCal Communities I	25
SunCal Communities III	29
SunCal Johannson Ranch	47,661
SunCal Summit Valley	38,409
SunCal Oak Knoll	12,187
SunCal Northlake	291,696
SunCal Oak Valley	336,194
SunCal Heartland	56,202
SunCal Marblehead	416,177
SunCal PSV	2,789
SunCal Torrance	38,462
Delta Coves	443,213
<u>Total</u>	\$31,541,266

IV.

DEBTORS' ALLEGED CLAIMS AGAINST THE LEHMAN LENDERS

4.1 Introduction.

As more fully set forth in the Elieff Disclosure Statement, the Elieff Plan Proponents contend that the Debtors or certain of the Debtors' Creditors have substantial claims against the

1 Lehman Lenders with respect to the Lehman Loans that would result either in the subordination of
2 the Lehman Loans to payment in full of all, or a substantial portion of the Debtors' Creditors, the
3 avoidance or setting aside of various Claims and Liens that the Lehman Creditors assert against
4 certain Debtors and/or recovery of substantial monies by one or more of the Debtors from the
5 Lehman Lenders. Those claims fall into five general categories: (i) the Section 506(d) Claims; (ii)
6 the Equitable Subordination Claims; (iii) the Fraudulent Transfer Claims; (iv) the Preference Claims;
7 and (v) the Breach of Fiduciary Duty Claims. The nature of these claims and the Lehman Creditors'
8 analysis of their merits and likely value is discussed in Articles 4.2 through 4.6, below.

9 **4.2 The Debtors' Disputes Relating to the Allowed Secured Claims of Fenway**
10 **Capital Pursuant to Bankruptcy Code Section 506.**

11 Bankruptcy Code section 506(a) provides that an asserted secured claim is only an
12 Allowed Secured Claim to the extent of the value of such Creditors' interest in the Estate's interest
13 in such property. Bankruptcy Code section 506(d) provides that to the extent a lien secures a claim
14 against a debtor that is not an allowed secured claim, such lien is void subject to certain exceptions.
15 Finally, Bankruptcy Code section 551 provides that such liens that are void under section 506(d) are
16 preserved for the benefit of the applicable debtor's estate.

17 The Elieff Plan Proponents contend that based upon the Lehman Lenders' appraised
18 values (as set forth in Article 3.4, above), there is no value to the collateral supporting the Lehman
19 ALI's second deed of trust on the Bickford Ranch Project, the pledge of SCC Palmdale's Allowed
20 Interested in Palmdale Hills to Lehman Commercial, or the pledge of SunCal I's Allowed Interests
21 in Acton Estates, SunCal Summit Valley, SunCal Bickford, and SunCal Emerald to Lehman
22 Commercial. (The foregoing assertions are clearly erroneous as to Lehman Commercial's first
23 priority lien in SunCal I's Allowed Interest in SunCal Summit. Based upon the Lehman Lenders'
24 appraisal, the SunCal Summit Valley Project is worth approximately \$2.2 million and, based upon
25 the Elieff Disclosure Statement, SunCal Summit Valley has obligations that are less than this
26 appraised value, resulting in equity value in the membership interest and the pledge of that interest to
27 the Lehman Commercial.) However, disallowance of the foregoing alleged Secured Claims and
28 avoidance of the foregoing alleged Liens for the benefit of the respective Debtors' Estates does not

1 generate or create any value or unencumbered assets for distribution to general unsecured creditors
2 of any of the Debtors. The Bickford Ranch Project, the Acton Estates Project, the Emerald
3 Meadows Project, the Summit Valley Project and the Ritter Ranch Project are all subject to senior
4 liens in favor of Lehman Commercial and all of the value in those projects must be distributed or
5 paid to the applicable Lehman Creditors on account of the foregoing, valid senior liens. Thus, even
6 if the assertions of the Elieff Plan Proponents were correct, they would likely be of no economic
7 consequence to the Debtors' Creditors. The Debtors and the Lehman Entities have since entered into
8 a stipulation to resolve the valuation of such Liens.

9 **4.3 The Elieff Plan Proponents Assertions regarding Fraudulent Transfer Actions**
10 **Against the Lehman Lenders Arising under Various Cross-Collateralized**
11 **Lehman Loans.**

12 The Elieff Plan Proponents contend that certain Claims and Liens of the Lehman
13 Lenders can be set aside and avoided pursuant to Bankruptcy Code sections 544, 548, 502(d) and
14 551 on the theory that at least part of the Claims and Liens identified therein relate to monies
15 received by a Debtor other than the Debtor with a secured obligation to repay those monies. The
16 Elieff Plan Proponents contend the Lehman Lenders may only assert a Claim and Lien against a
17 particular Debtor to the extent that particular Debtor actually received monies on account of the
18 subject Claim (rather than to the extent the Debtor guaranteed and secured repayment of monies
19 received by an Affiliate).

20 There are numerous problems with this theory of recovery, not the least of which is
21 that a guarantee or co-obligor obligation (and the lien securing such obligation) based upon monies
22 advanced to an Affiliate can only be set aside if the Debtor incurring such obligation or granting
23 such lien was insolvent, or was rendered insolvent (as insolvency is defined in section 544 and
24 applicable state law or section 548) by virtue of incurring the secured obligation at the time the
25 obligation and lien were incurred. The Elieff Disclosure Statement does not allege that the subject
26 cross-collateralization identified therein was incurred by any Debtor at a time when the Debtor was,
27 or was thereby rendered, insolvent. The Lehman Creditors believe that in all, or substantially all
28 instances of cross-collateralization identified by the Elieff Plan Proponents, the Debtor incurring the

1 secured obligation was not insolvent, nor was it rendered insolvent (as such term is defined by
2 applicable law) at the time the Lien and obligation were incurred.

3 Furthermore, the Elieff Plan Proponents concede that the Liens and Claims of
4 Lehman Lenders cannot be set aside to the extent that funds were actually received by the
5 obligor/pledgor. Taking the amount of funds that the Elieff Plan Proponents concede each of the
6 relevant Debtors received and comparing that number with the Debtors' estimate of the value of the
7 related collateral pledged in favor of the Lehman Lenders, it is clear that in only one instance (the
8 Acton Project) is the amount of funds allegedly received (\$380,000) less than the value of the
9 pledged collateral (in this case, \$3.4 million). Thus, even if the Fraudulent Transfer Claims are
10 valid, they would at best generate a recovery of approximately \$3.02 million and then only for the
11 benefit of Creditors of the Acton Estate. However, as Bankruptcy Code section 550 limits recovery
12 "for the benefit of the estate" and the Lehman Creditors contend that fraudulent transfer claims
13 cannot be prosecuted for the benefit of equity holders, the potential recovery on account of the
14 foregoing Fraudulent Transfer Claims would be capped at no more than approximately \$1.4 million,
15 the unsecured claims asserted against the Acton estate according to the Elieff Disclosure Statement.

16 Even if the fraudulent conveyance alleged with respect to the cross-collateralization
17 of the SSC Palmdale Loan had merit, the value to the estate of SSC Palmdale is zero, as noted by the
18 Elieff Plan Proponents. The collateral, SSC Palmdale's Allowed Interest in Palmdale Hills,
19 therefore is worthless.

20 Likewise, even if the claims asserted in Article 4.5(c) and (d) of the Elieff Disclosure
21 Statement were valid and the requisite insolvency could be proven, the Elieff Plan Proponents have
22 conceded that the Claims and Liens of the Lehman Lenders are valid at least to the extent of
23 proceeds received by the obligor/pledgor. As the proceeds received by SunCal Oak Knoll and
24 SunCal Torrance (\$103.5 million and \$45 million, respectively) exceed SunCal's estimate of the
25 value of the underlying pledged collateral (\$48 million and \$25 million, respectively), the Fraudulent
26 Transfer Claims identified in Articles 4.5(c) and (d) of the Elieff Disclosure Statement are without
27 merit.

28 Finally, with respect to the claims identified in the Elieff Disclosure Statement

1 relating to the Interim Loan Agreement, assuming insolvency as of the date such obligations were
2 incurred can be proved, the maximum potential liability of the Lehman Lenders would be
3 approximately \$1.5 million as to the Tesoro Estate and \$4.5 million as to the Del Rio Estate.
4 However, based on the Elieff Proponents' own numbers, the unsecured claims at those estates total
5 approximately \$290,000 and \$270,000, respectively, therefore capping the maximum potential
6 recovery on account of such alleged Fraudulent Transfer Claims at approximately \$560,000.

7 While the Lehman Lenders believe that the Fraudulent Transfer Claims outlined in
8 the Elieff Disclosure Statement are without merit, making assumptions most favorable to the
9 Debtors, the maximum aggregate exposure of Lehman Lenders to such Fraudulent Transfer Claims
10 is no more than approximately \$2 million, and the probable value of litigation on such claims
11 significantly less.

12 **4.4 Alleged Preference Claims Against the Lehman Lenders.**

13 The Elieff Plan Proponents assert that Delta Coves, SunCal Century City and SunCal
14 Marblehead Heartland Master LLC made prepetition transfers in the one year preceding the Petition
15 Date to Lehman Lenders in the sums of approximately \$6.5 million, \$10.6 million, and \$3.4 million,
16 respectively. The Elieff Disclosure Statement asserts, without any further support, that these
17 payments are recoverable as preferences. However, there is absolutely no factual support in the
18 Elieff Disclosure Statement to support these contentions. In particular, it would be necessary for the
19 Debtors to establish balance sheet insolvency (as required by Bankruptcy Code section 547) in order
20 to be able to maintain a preference recovery. Furthermore, and perhaps more importantly, the
21 Lehman Lenders assert (or in the case of SunCal Century City, at all relevant times asserted) validly
22 perfected first priority security interests and deeds of trust in and to all of the material assets of the
23 Debtors that the Elieff Plan Proponents contend may have made alleged preferential transfers.
24 Under such circumstances, a transfer of some or all of the collateral of a validly perfected secured
25 creditor (even an undersecured creditor) cannot constitute a recoverable preferential transfer as it
26 does not have the effect of depleting assets otherwise available to pay unsecured creditors.
27 Furthermore, as noted above, the Lehman Lenders contend that pursuant to Bankruptcy Code section
28 550, preferences can only be recovered for the benefit of unsecured creditors of the transferor. The

1 Lehman Lenders believe that for these, and other reasons that will be asserted at the appropriate
2 time, the preference claims that have been alleged against them are wholly, or largely, without merit
3 and are unlikely to result in Creditors receiving a meaningful recovery.

4 Finally, the status of any preference claim against Lehman Commercial (which is
5 itself a debtor in a chapter 11 proceeding before the United States Bankruptcy Court for the Southern
6 District of New York) is subject to the treatment in that chapter 11 case. Specifically, there is a
7 distinct possibility that such a claim may be treated as a general unsecured claim in Lehman
8 Commercial's bankruptcy, which claim is subject to an uncertain recovery.

9 The Elieff Plan Proponents contend that the foreclosure by Lehman ALI on its second
10 priority deed of trust against the Pacific Point Project in August 2008 constituted a preferential
11 transfer because there was no equity value supporting the second priority deed of trust.
12 "Specifically, the fair market value of the Pacific Point Project was and remains approximately \$25
13 million and the alleged obligations securing the first deed of trust was approximately \$100 million."
14 However, based upon the Elieff Plan Proponents' own assertions, it is clear that the bankruptcy
15 estate of SJD Partners (and in turn, the unsecured creditors of that Estate) were not deprived of any
16 value by virtue of the alleged foreclosure. Indeed, based upon the Elieff Disclosure Statement,
17 Lehman ALI, as the beneficiary under the first deed of trust, is undersecured by more than \$75
18 million. Under these circumstances, no valid preference claims can be asserted against the Lehman
19 Lenders based on the foregoing transactions.

20 **4.5 The Equitable Subordination Claims Relating to the Lehman Lenders'**
21 **Claims.**

22 The Elieff Disclosure Statement sets forth the basis upon which the Elieff Plan
23 Proponents believe that the Lehman Creditors' Claims could be "equitably subordinated" to the
24 claims of all other unsecured creditors such that distributions that would otherwise be made by the
25 Debtors to the Lehman Creditors on account of their senior secured claims could be redistributed to
26 junior, unsecured creditors.

27 As the Elieff Plan Proponents acknowledge, equitable subordination requires findings
28 that: the claimant whose claim is sought to be equitably subordinated engaged in some type of

1 inequitable conduct; the conduct injured creditors, or conferred an unfair advantage on the claimant;
2 and subordination would not be inconsistent with the Bankruptcy Code. Additionally, applicable
3 case law provides that claims can be subordinated only to the extent necessary to offset the injury to
4 a debtor or its creditors and that the concept of equitable subordination is remedial, not penal, and is
5 a measure that should be used only sparingly. Furthermore, the applicable provision of the
6 Bankruptcy Code (section 510(c)) is clear that a claim may only be subordinated to “all or part of
7 [another] allowed claim” but that a claim cannot be subordinated to an interest.

8 In January 2009, certain of the Debtors commenced an action in the Bankruptcy
9 Cases (the ES Action), seeking to subordinate all of the Lehman Creditors’ Claims and the Danske
10 Bank Claim to payment in full of all unsecured claims against those Debtors and named the Lehman
11 Lenders, Fenway Capital and Danske Bank, among others, as defendants (collectively, the “ES
12 Defendants”).

13 The primary basis of the Equitable Subordination Action as originally Filed was that,
14 beginning in or about August of 2007, the Lehman Lenders took over effective control of all of the
15 material aspects of the Debtors’ projects operations without regard as to whether a Lehman entity
16 was the lender or whether a Lehman entity was an equity member and caused the Debtors to incur
17 substantial unsecured vendor claims with the promise of payment that went unfulfilled. The Debtors
18 twice amended their complaint, and thereafter the Lehman Lenders moved to dismiss the second
19 amended complaint for failure to state a claim upon which relief could be granted. At a hearing held
20 on June 11, 2009, the Bankruptcy Court granted the foregoing motion to dismiss, with leave to
21 further amend the complaint. The Bankruptcy Court found that the Debtors had failed to (1) state a
22 claim regarding insider status; (2) tie specific defendants to inequitable conduct or sufficiently state
23 the basis of imputing such conduct; (3) adequately allege “gross and egregious conduct”; (4) identify
24 particular inequitable conduct of defendants against particular Debtor plaintiffs; (5) sufficiently
25 identify the alleged injured creditors; and (6) allege fraudulent conduct with particularity.

26 In July 2009, the Debtors filed a third amended complaint that added new causes of
27 action alleging preference and fraudulent transfer liability, certain post-petition “bad acts” of the
28 Lehman Lenders, but otherwise asserted similar allegations as the prior Filed complaints. The ES

Defendants (including the Lehman Lenders) timely filed a motion to dismiss the third amended complaint, which is set for hearing on February 9, 2010.

Notwithstanding the foregoing, the Lehman Lenders are making an offer (the ES Settlement Offer) through the Lehman Plan to Holders of Allowed ES Claims, upon the terms and conditions more fully discussed below. The Debtors estimate that the Lehman Adversary Proceeding will cost between \$3 and \$4 million to prosecute. Under the Elieff Plan, it is not clear to what degree Acquisitions or its Affiliates have agreed to fund the anticipated costs and expenses.

**4.6 Alleged Fraud, Breach of Fiduciary Duty and Other Potential Litigation
Claims Against the Lehman Lenders.**

Article 4.7 of the Elieff Disclosure Statement purports to set forth further claims against the Lehman Lenders, based upon the Interim Loan Agreement, the Restructuring Agreement of May 2008, and the Pacific Point Foreclosure. However, the narrative contained in the Elieff Disclosure Statement does not state any claim for relief or theory of recovery against the Lehman Lenders based upon the alleged facts and, in reality, asserts nothing different from the material allegations set forth in the Equitable Subordination Claims (more fully discussed in Article 4.5 above).

V.

THE ELIEFF PLAN IS UNCONFIRMABLE

5.1 Consideration of the Elieff Plan is Premature.⁶

The Elieff Plan does not provide for any recovery to general unsecured creditors of most Debtors unless the Debtors or their successors obtain a successful result in the ES Action (and in particular the cornerstone of that proceeding, the Equitable Subordination Claims). Furthermore, even under the Debtors' flawed legal theories, substantive consolidation is required to achieve the ratable distribution among Creditors of different Debtors that the Elieff Plan proposes. (In fact, regardless of whether there is substantive consolidation, success on the Equitable Subordination Claims does not assure a recovery to all Creditors of a particular Debtor or even to any particular group of creditors, but only potentially to specific Creditors harmed by specific inequitable conduct.)

⁶ Terms appearing within quotation marks in this Article V shall have the same meaning as set forth in the Elieff Plan rather than as such terms may be defined either herein or in the Lehman Plan.

1 If the promise of the Elieff Plan is achieving a recovery based on success on the
2 Equitable Subordination Claims and spreading the bounty through substantive consolidation, then it
3 is inherently misleading to Creditors, not to mention a tremendous waste of resources, to consider
4 confirmation of the Elieff Plan at this time. The Debtors have been unable to state claims for relief
5 so far in the ES Action, and the Lehman Proponents believe that the Third Amended Complaint
6 suffers from the same infirmities that resulted in dismissal of the Second Amended Complaint. In
7 sum, the Lehman Proponents believe that the promise of any recovery under the Elieff Plan is highly
8 speculative and remote until the Debtors have at least been able to state claims against the
9 Defendants in the ES Action (including the Lehman Lenders) that have withstood a motion to
10 dismiss.

11 **5.2 The Acquisitions Offer is Vague, Incomprehensible and Illusory**

12 The Elieff Plan purports to offer a 10% recovery by means of a purchase offer (the
13 “Acquisitions Offer”), which under the Elieff Plan is available to the “Holders of General Unsecured
14 Claims that are intended to be beneficiaries of an Equitable Subordination Judgment against
15 Lehman’s Disputed Claims and Disputed Liens.” Such Creditors are classified in Class 9 under the
16 Elieff Plan.

17 The Acquisitions Offer is vague, ambiguous, unintelligible and wholly illusory. In
18 particular, unless and until an Equitable Subordination Judgment (an undefined term) is entered, it
19 cannot be determined from the Elieff Plan who are the members of Class 9 (and its subclasses) and
20 who are the intended beneficiaries of the Acquisitions Offer. The purported promise of Acquisitions
21 is that it will purchase such claims within sixty (60) days of the receipt of the Creditors’ written
22 election to accept the Acquisitions Offer (which might even precede the Effective Date and thus
23 exacerbate the gerrymandering problem identified below) or sixty days after the Claim becomes an
24 Allowed Claim and given the foregoing, the promise is illusory.⁷

25 **5.3 The Separate Classification of Class 9 is Improper**

26 Given that, aside from the Acquisitions Offer, the Elieff Plan does not offer Creditors
27 any meaningful recovery and is therefore unlikely to garner the support of third party holders of such
28

⁷ The use of the word “purchase” is also ambiguous; a “purchase of” and the “payment for” a claim may not be one and the same event.

1 claims, it would appear that Class 9 (the members of which are the beneficiaries the purported
2 Acquisitions Offer) constitutes a “gerrymandered” class designed to create at least one impaired
3 accepting class of Creditors for each of the Debtors. It is well established that such a purpose is an
4 improper basis for classification.

5 Underscoring the lack of any legitimate justification for the separate classification of
6 Class 9 is that the distributions from the Estates for each of Classes 9 and 10 are exactly the same.
7 Both classes receive the same treatment, namely, after payment in full of “Post Confirmation
8 Expenses,” “Allowed Administrative Claims,” and “Allowed Priority Claims,” the Holders thereof
9 receive “their pro rata share from the applicable Distribution Account(s).” *See* Elieff Plan, §§ 5.9(b);
10 5.10(b). The only difference between Classes 9 and 10 is that the Acquisitions Offer extends only to
11 Class 9. As such, the Acquisitions Offer is effectively an independent offer by one of the Elieff Plan
12 Proponents to purchase certain Claims with its own Cash, independent of the Elieff Plan.
13 Accordingly, the apparent disparate treatment between the Holders of Class 9 claims and Class 10
14 claims is illusory and cannot form the basis or separate classification of those claims.

15 Further, Class 9 cannot constitute a separate class of Creditors for the simple reason
16 that its beneficiaries cannot be identified, at least as of the time of solicitation and confirmation of
17 the Elieff Plan.

18 **5.4 The Plan is Predicated Upon Substantive Consolidation of the Debtors.**

19 The Elieff Plan provides that its confirmation is not conditioned upon substantive
20 consolidation, but the mechanics of the Elieff Plan appear to be unworkable without it. For instance,
21 it appears from the Elieff Plan that all “Post-Confirmation Expenses,” “Allowed Administrative
22 Claims,” and “Allowed Priority Claims” are being paid from one Distribution Account. Even
23 though the Elieff Plan makes reference to “the applicable Distribution Account(s),” certain Estates
24 clearly will not have any Available Cash (*i.e.*, unencumbered cash) from which to fund their fair
25 share or any part of these mandatory plan payments. Furthermore, the Elieff Plan is being funded by
26 the “Acquisitions Administrative Loan,” which is defined as a single claim and appears to be
27 assertable against all of the Debtors. Section 7.3 of the Elieff Plan provides for use of Available
28 Cash to pay certain administrative, priority and post-confirmation Claims and expenses prior to use

1 of the Acquisitions Administrative Loan, without specifying how the loan is to be accounted for as
2 between Debtors prior to or absent any substantive consolidation. Accordingly, all of the Debtors'
3 assets are being used to support the loan by which administrative and priority claims will be funded
4 (*i.e.*, a *de facto* substantive consolidation). In addition, the Elieff Plan also attempts to substantively
5 consolidate with respect to the Lehman Creditors' Claims: although many of the Lehman Loans have
6 multiple borrowers and are asserted against multiple Debtors, the Elieff Plan gives the applicable
7 Lehman Creditor only one claim against those multiple Debtors.

8 **5.5 The Distribution Scheme of the Plan is Untenable**

9 Any recovery under the Elieff Plan (other than via the Acquisitions Offer) is
10 dependent upon success in the ES Action and the Equitable Subordination Claims stated therein.
11 The Elieff Plan provides that all proceeds of "Litigation Recoveries" are to be deposited into the
12 "applicable Distribution Account(s)." Elieff Plan, § 7.8. Funds in each "Distribution Account" are
13 used to fund "Post-Confirmation Expenses" (or presumably repay the Acquisitions Administrative
14 Loan), "Allowed Administrative Claims," "Allowed Priority Claims," and are then distributed on a
15 pro-rata basis to the Holders of General Unsecured Claims (either on a Debtor-by-Debtor basis or, if
16 there is substantive consolidation, to the Creditors of all consolidated Debtors).

17 Such a distribution will almost certainly not be permitted by any judgment on the
18 Equitable Subordination Claims. As set forth herein, equitable subordination is a remedy for
19 specific creditors harmed by a defendant's inequitable conduct. The Elieff Plan purports to take
20 away these recoveries and redistribute them in a manner that will significantly reduce, if not
21 eliminate, the recovery to which a beneficiary of any successful Equitable Subordination Claim may
22 be entitled.

23 **5.6 The Elieff Plan's Treatment of the Lehman Creditors' Claims is**
24 **Unconfirmable.**

25 The Elieff Plan's proposed treatment of the Lehman Creditors' Claims is
26 unconfirmable over the objection of the Lehman Creditors. Specifically, under the Elieff Plan: (a)
27 the Lehman Creditors cannot pursue any rights or remedies with respect to collateral until the
28 expiration of the "Sales Period" (an indefinite period of time, which could extend multiple years,

1 ending on the 180th day following entry of a Final Order resolving the “Lehman’s Disputed Claims”
2 and/or the “Lehman Disputed Liens”); (b) the Elieff Plan Trustee is under no obligation to
3 adequately protect or properly maintain the Collateral in the meantime, or, indeed, to do anything
4 whatsoever with respect to the preservation of the Collateral; (c) the Elieff Plan Trustee is given the
5 power to sell the Collateral free and clear of Lehman’s Claims and Liens without any right to credit
6 bid; and (d) only in the event the Elieff Plan Trustee fails to dispose of the Collateral within the
7 Sales Period are the Lehman Lenders permitted at that indeterminate point in time, to pursue their
8 respective rights and remedies against the Collateral under applicable law.⁸

9 The foregoing treatment is unconfirmable over the Lehman Creditors’ objections for
10 numerous reasons, including the following:

11 (A) The Lehman Creditors’ claims are classified on a loan-by-loan, rather than a debtor-
12 by-debtor basis. Unless the Elieff Plan is a partially substantively consolidating plan,
13 the Lehman Creditors are entitled to assert, and vote upon Claims on a debtor-by-
14 debtor basis.

15 (B) The mandatory and indefinite forbearance, without any adequate protection, cannot
16 constitute “fair and equitable” treatment pursuant to Bankruptcy Code § 1129(b).

17 The Lehman Creditors request, and are entitled to adequate protection. There should
18 be a Elieff Plan obligation to assure both Project maintenance and payment of post-
19 Confirmation taxes and a Elieff Plan remedy for any failure. Additionally, proposing
20 no payments to a secured creditor while imposing an extended period of forbearance
21 equates to extreme negative amortization of the Lehman Creditors’ secured claims
22 while giving the Debtors an indefinite, no-risk cost-free option. That treatment could
23 not remotely pass muster under the standards for negative amortization set forth in
24 applicable law.
25
26
27

28 ⁸ While the Plan does not expressly so state, from a comparison with secured creditors in Classes 1 and 2 who are offered similarly unconfirmable treatment, it appears Acquisitions intends, under these circumstances, that the Lehman Creditors

1 (C) The Elieff Plan summarily and without any basis or justification eliminates the rights
2 of the Lehman Entities to credit bid for the Collateral pursuant to section 363(k) of
3 the Bankruptcy Code. Just as the Lehman Creditors cannot be deprived of that basic
4 right through the Sales Procedures Motion, they cannot be deprived of that right
5 through a Plan. Accordingly, the Elieff Plan is defective on its face and cannot be
6 confirmed.

7
8 (D) Section 5.3(f) of the Elieff Plan improperly strips the Lehman Creditors of recourse
9 claims against the Elieff Plan Trust. None of the distribution schedules reflect
10 distributions on the Lehman Creditors' unsecured claims. The Lehman Loans are
11 recourse as to all of the Debtors.

12
13 (E) The Elieff Plan does not require the Elieff Plan Trustee to set aside reserves to ensure
14 that the Holders of Disputed Claims receive the same distributions as the Holders of
15 Allowed Claims in the event their Disputed Claims are ultimately allowed. This is
16 especially problematic given that pending a resolution of the ES Action, the Lehman
17 Creditors will have substantial Disputed Claims against all or substantially all of the
18 Debtors for which substantial reserves must be retained. Failure to provide adequate
19 reserves for Disputed Claims is disparate treatment that could not be confirmed as
20 "fair and equitable" to Holders of such Claims.

21
22 Furthermore, the Elieff Plan fails completely to account for the fact that the Lehman
23 Creditors would have residual Secured Claims even if the Debtors were completely successful on
24 their equitable subordination claims. The Debtors contend that equitable subordination is warranted
25 for all but \$68.7 million of the unsecured Claims in these Cases. This equates to a maximum
26 subordination of approximately \$280 million. The Debtors value the Collateral at \$308 million (the
27

28
would have no recourse against the Plan Trust or the Plan Trustee, again in violation of applicable provisions of the Bankruptcy Code.

1 Lehman Entities contend the value is approximately \$536 million). Even at the Debtors' valuation,
2 the Lehman Entities' would retain Secured Claims of at least \$28 million; at the Lehman Entities'
3 valuation, the minimum amount of residual, secured claims for the Lehman Entities would be
4 approximately \$256 million. To the extent the Elieff Plan diverts proceeds of the Collateral to the
5 payment of Post Confirmation Expenses, Allowed Administrative Claims and Allowed Priority
6 Claims rather than to the Lehman Entities on account of their secured claims, its treatment of the
7 Lehman Entities' claims is unconfirmable.

8 **5.7 The Elieff Plan Violates the Absolute Priority Rule**

9 Although their interests are nominally cancelled, Acquisitions, and through it the
10 principals of the Debtors, receive important and economically valuable control rights under the
11 Elieff Plan on account of their interests in the Debtors. Specifically, Acquisitions is to act as the
12 Elieff Plan Trustee with the right to control the litigation against the ES Defendants and the sole
13 right to object to claims of all Creditors other than its Affiliates. Those rights have substantial value
14 to Acquisitions and its direct and indirect owners, who have personal liability in respect of the Bond
15 Obligations that they seek to eliminate or reduce through the ES Action and, potentially, a vested
16 economic interest in Claims against the Debtors.

17 Equity security holders are not allowed to receive any distribution under a plan on
18 account of their equity interests unless classes of claims senior to their equity interests are afforded
19 the treatment set forth in section 1129(b)(2) of the Bankruptcy Code.

20 The "new value" exception allows junior interest holders (*e.g.*, equity holders in a
21 corporate debtor) to receive a distribution of property under a plan if they offer "value" to the
22 reorganized debtor that is: (1) new; (2) substantial; (3) money or money's worth; (4) necessary for a
23 successful reorganization; and (5) reasonably equivalent to the value or interest received. 2 F.3d at
24 909. Only those contributions that will actually be paid on the effective date of the plan may be
25 considered as "money or money's worth" under the new value exception. In determining whether
26 the new value contribution is "reasonably equivalent to the value being received," courts have
27 required that the new value be substantial in comparison to such things as (1) the total unsecured
28 claims against the debtor, (2) the claims being discharged, or (3) the dividend being paid on

1 unsecured claims by virtue of the contribution.

2 Literally none of these requirements are satisfied by the Elieff Plan. No new value is
3 provided at all: whatever funds Acquisitions may be called upon to advance are treated under the
4 Elieff Plan as a loan. The amount of the “new value” – zero – is not substantial, by any measure. It
5 is not “money or money’s worth” because, among other things, it is not being provided on the
6 Effective Date. Rather, it is a loan that is contingent on the exhaustion of other resources. It is not
7 “necessary for a successful reorganization”: this is a liquidation, not a reorganization. Finally,
8 Acquisitions’ contingent loan is not “reasonably equivalent to the value received.” Acquisitions
9 gives nothing. Rather, it is called upon to *possibly* extend loans that are secured by first priority
10 liens. Furthermore, it apparently receives in exchange repayment of previously extended Cash and a
11 blanket release of Estate Claims (and, gratuitously, a release of its direct and indirect owners). No
12 value is stated for those Claims; if the Debtors have conducted any analysis, they have not shared it
13 with Creditors.

14 Furthermore, the Elieff Plan may provide that Allowed General Unsecured Claims
15 may receive “interest at the legal rate from and as of the applicable Debtor’s Petition date.”
16 Disclosure Statement ¶ 2.1.99.⁹ However, unless a debtor is solvent or a creditor is oversecured
17 (neither of which is the case here), unsecured creditors do not receive interest. The Debtors are not
18 solvent; thus if the Lehman Creditors’ Claims are subordinated, Creditors in Classes 9 and 10 (who
19 are unsecured) cannot receive payment of interest if the Lehman Creditors’ Claims are not paid in
20 full. To the extent the Elieff Plan so provides, it violates the absolute priority rule.

21 **5.8 The Appointment of Acquisitions as the Elieff Plan Trustee Violates**
22 **Bankruptcy Code Section 1129(5)(a)(II)**

23 In order for the Elieff Plan to be confirmed, the appointment of Acquisitions as the
24 Elieff Plan Trustee must be “consistent with the interest of creditors and equity security holders and
25 with public policy.” 11 U.S.C. §1129(a)(5)(A)(II). Under the Elieff Plan, the Elieff Plan Trustee
26 will prosecute the ES Action and be the sole party responsible for objecting to Claims, with limited
27 exceptions. However, Acquisitions has irreconcilable conflicts in carrying out both of these

28 _____
⁹ “Maximum Distributions” is so defined. The Elieff Plan is unclear, however, whether unsecured creditors are to receive Maximum Distributions in the event the Lehman Creditors’ Claims are equitably subordinated.

responsibilities.

As to the prosecution of the ES Action, assuming that certain Creditors elect to accept the Acquisitions Offer, Acquisitions will be both the Trustee of, and the beneficiary of the Elieff Plan Trust with respect to the ES Action. This creates inherent conflicts of interest. Acquisitions and/or its Affiliates have personal liability in respect of a subset of the general unsecured claims, *i.e.*, the Bond Obligations. Acquisitions can be expected to utilize its control of the prosecution of the ES Action to seek the satisfaction of those Claims which are most likely to result in personal liability to its owner, Bruce Elieff, regardless of whether there are other strategies that would benefit a broader number of Creditors. As well, the Elieff Plan would vest Acquisitions with an indeterminate priority status for repayment of the “Acquisitions Administrative Loan,” a status that may put its interests into conflict with those of General Unsecured Creditors, and which would give it substantial leverage in any such dispute. This conflict further infects the Acquisitions Offer: to the extent that Acquisitions agrees to purchase Class 9 Claims pursuant to the Acquisitions Offer (the payment for which need not be made until sixty days after such purchased claim becomes an Allowed Claim), Acquisitions will have an improper incentive to object to the purchased Claims in order to delay, defer or reduce the purchase price expense incurred by Acquisitions. Further, to the extent that Acquisitions and its Affiliates have liability for some or all of the Bond Obligations, Acquisitions, as Elieff Plan Trustee, will have an improper incentive not to object to any of those Claims, thereby reducing the recovery of the Holders of other Allowed Claims and reducing its own exposure to the Bond Insurers in respect of the Bond Obligations.

5.9 The Terms of the Acquisitions Administrative Loan are Indefinite

The “Acquisitions Administrative Loan” is a loan of indefinite amount, interest rate or payment terms, to be advanced by Acquisitions as needed for payment of Administrative Claims, Priority Claims and ongoing Professional Fees, to the extent there is insufficient Available Cash in the Estates. No matter the amount, apparently making the loan results in a release of all Estate causes of action against Acquisitions and its Affiliates, defined so as to include Mr. Elieff. It is also conditioned upon “Allowance of the Acquisitions Administrative Loan in an amount equal to all Chapter 11 and post-confirmation funding caused by Acquisitions to the extent that the same has not

1 already been approved by the Court.” No interest rate or payment terms are stated, nor is it clear
2 what ‘allowance of the loan’ means or what amount of already extended funding such allowance is
3 intended to cover. Nor are there any provisions for default or termination. What if Acquisitions
4 determines to cease funding? The rights and obligations of Acquisitions, as the lender are
5 insufficiently stated in the Elieff Plan.

6 **5.10 The Elieff Plan Violates the Best Interest of Creditors Test**

7 The “best interests of creditors” test under section 11 U.S.C. §1129(a)(7)(A)(ii)
8 requires that creditors receive as much pursuant to a chapter 11 plan as they would from a chapter 7
9 liquidation. The Elieff Disclosure Statement purports to summarize recoveries under the Elieff Plan,
10 but it simply assumes total success on the Equitable Subordination Claims against the ES
11 Defendants. However, whatever Claims exist against the ES Defendants would continue to exist
12 after a conversion of all of these cases to chapter 7. Furthermore, there are claims that are waived
13 under the Elieff Plan against Acquisitions and Affiliates that are not identified or assigned any value
14 in the Elieff Disclosure Statement. Furthermore, there is a partial redistribution built into the
15 structure of the Elieff Plan that would likely leave at least some Creditors worse off under the Elieff
16 Plan than in liquidation. The Elieff Plan allocates recoveries on a judgment in the ES Action first to
17 pay post-confirmation, administrative and priority claims and then, on a *pro rata* basis, to
18 compensate Creditors who are not the beneficiaries of a judgment on the Equitable Subordination
19 Claims. Thus it appears likely, if not probable, that a true best interest of creditors test analysis
20 would demonstrate that if the ES Action is even partially successful, certain Creditors may well
21 receive higher recoveries in a chapter 7 liquidation than under the Elieff Plan.

22 **5.11 The Elieff Plan’s Treatment of Class 1 and Class 2 Secured Real Property**
23 **Tax Claims Violates the Express Provisions of Bankruptcy Code Section**
24 **1129 (a)(9)(c)**

25 The Elieff Plan provides that Secured Real Property Tax Claims against the Collateral
26 shall be paid according to priority if the Collateral is sold during the “Sales Period,” but otherwise
27 cannot exercise their rights and remedies until after the Sales Period, without recourse to the Elieff
28 Plan Trust. Holders of Allowed Secured Real Property Tax Claims secured by other property may

1 exercise their rights on the Effective Date, but again without recourse to the Elieff Plan's Trust.

2 To the extent that the Claims encompassed by Classes 1 and 2 under the Elieff Plan
3 are Priority Tax Claims within the scope of Bankruptcy Code § 507(a)(8), absent consent, the Elieff
4 Plan must provide for the treatment mandated in Bankruptcy Code § 1129(a)(9)(c), *i.e.*, regular
5 installment payments in cash, of a total value as of the Effective Date equal to the allowed amount of
6 such claim over a period not to exceed five years from the date of entry of the applicable order for
7 relief, and in a manner not less favorable than the most favored non-priority unsecured claim under
8 the Elieff Plan. The proposed treatment of claims in Classes 1 and 2 violates all of the foregoing
9 requirements and therefore renders the Elieff Plan unconfirmable on its face. This is no small issue,
10 given the Elieff Plan estimate that the aggregate amount of Class 1 claims is almost \$13 million.

11 **VI.**

12 **SIGNIFICANT EVENTS IN THE DEBTORS' CHAPTER 11 CASES**

13 **6.1 Voluntary Debtors.**

14 Since the Petition Dates, beginning in November 6, 2008, the seventeen (17)
15 Voluntary Debtors have continued to operate as a "debtors-in-possession" subject to the supervision
16 of the Bankruptcy Court. The Voluntary Debtors are authorized to operate their businesses in the
17 ordinary course during the Chapter 11 proceedings. Transactions outside the ordinary course of
18 business must be approved by the Bankruptcy Court.

19 The Voluntary Debtors' Cases are jointly administered with each other pursuant to
20 orders entered on November 10, 2008 and November 26, 2008. The Voluntary Debtors' Cases are
21 being jointly administered with the Trustee Debtors' Chapter 11 Cases pursuant to an order entered
22 on March 11, 2009.

23 The Voluntary Debtors have employed Winthrop Couchot Professional Corporation
24 as their general insolvency counsel, Morgan Lewis & Bockius LLP as their special litigation counsel
25 for the Southern District of New York and Miller Barondess, LLP as their special litigation counsel.

26 The Voluntary Debtors' Committee has employed Irell & Manella LLP as its counsel
27 pursuant to an order entered on February 13, 2009.

28 **6.2 Trustee Debtors.**

1 Orders for Relief were entered in the involuntary cases beginning on January 6, 2009.
2 The Trustee Debtors are represented by their duly-appointed Chapter 11 trustee, Steven M. Speier,
3 pursuant to orders of the Bankruptcy Court entered on January 15, 2009.

4 The Trustee has Filed an application to employ the Lobel Firm as the Trustee's
5 general insolvency counsel and Miller Baroness LLP as special litigation counsel.

6 The Trustee Debtors' Committee has employed Weiland, Golden, Smiley, Wang,
7 Ekvall & Strok, LLP as its counsel.

8 **6.3 The Debtors' Motion for Relief from Stay in the Lehman Commercial**
9 **Chapter 11 Proceedings.**

10 On November 10, 2008, the Debtors Filed a motion for an order modifying the
11 automatic stay in the Lehman Commercial Bankruptcy Proceeding to allow the Debtors to
12 administer their own Cases to the extent that such Cases, and the relief requested by such Debtors
13 therein, may affect the rights of Lehman Commercial. The Debtors also requested the court to allow
14 the Debtors to proceed to obtain post-petition debtor-in-possession financing on a priming lien basis
15 that would subordinate Lehman Commercial's Claims and Liens arising from the Ritter Ranch Loan
16 Agreement and the SunCal Communities I Loan Agreement to those of a proposed debtor-in-
17 possession lender. Lehman Commercial opposed the motion on November 18, 2008 and the
18 objection was joined by the Lehman Commercial Official Creditors' Committee. The motion was
19 denied, without prejudice, by the New York Bankruptcy Court pursuant to an order entered on
20 November 21, 2008.

21 **6.4 Certain of the Voluntary Debtors' Motion for Surcharge and Use of Cash**
22 **Collateral.**

23 On January 16, 2009, seven of the Debtors Filed a motion seeking an order
24 authorizing Palmdale Hills to use and surcharge, pursuant to 11 U.S.C. § 506(c), and/or use the
25 purported cash collateral of Lehman Commercial arising from the Ritter Ranch Loan Agreement,
26 pursuant to 11 U.S.C. § 363(c)(2), in order to pay for the reasonable and necessary maintenance
27 expenses required to preserve the value of such Debtors' Projects that are subject to deeds of trust
28 and other security held by Lehman Commercial.

1 Lehman Commercial objected to the motion and subsequently Filed a motion in the
2 New York Bankruptcy Court requesting the New York Bankruptcy Court to enforce its automatic
3 stay as to the motion. The motion was taken off calendar prior to any ruling by the New York
4 Bankruptcy Court.

5 **6.5 Lehman Commercial's Motions for Relief from the Automatic Stay**
6 **Against Certain of the Voluntary Debtors' Projects.**

7 On January 23, 2009, Lehman Commercial and Lehman ALI Filed in the Bankruptcy
8 Court various motions for relief from the automatic stay against Palmdale Hills, SCC Palmdale,
9 SunCal Beaumont, SunCal Summit Valley, SunCal Emerald, SunCal Bickford, Acton Estates,
10 SunCal Johansson, and SCC Communities I (the "Lehman Lenders' Stay Motions") pursuant to
11 which Lehman Commercial and Lehman ALI sought to foreclose on, *inter alia*, their deeds of trust
12 encumbering certain of the Debtors' Projects.

13 On February 4, 2009, the Debtors Filed an opposition to Lehman Commercial and
14 Lehman ALI's requests for relief from stay. On February 13, 2009, Lehman Commercial and
15 Lehman ALI Filed a reply to the Debtors' opposition primarily asserting that the ES Action would
16 violate Lehman Commercial's automatic stay.

17 On March 10, 2009, the Bankruptcy Court entered an order denying the Lehman
18 Lenders' Stay Motion without prejudice. Lehman Commercial has appealed the Bankruptcy Court's
19 order.

20 **6.6 The Debtors' Filing of the ES Action Against the Lehman Lenders.**

21 On January 6, 2009, the Voluntary Debtors Filed the ES Action against, *inter alia*,
22 Lehman ALI in the jointly administered cases of the Voluntary Debtors requesting, amongst other
23 relief, that Lehman ALI's liens be equitably subordinated to the claims of unsecured creditors in all
24 of the Debtors' Cases. On February 3, 2009, the Debtors Filed a first amended complaint adding the
25 Trustee Debtors as plaintiffs to various causes of action. On March 11, 2009, the Debtors Filed a
26 motion for leave to File a second amended complaint to add Lehman Commercial as a defendant in
27 the ES Action. On March 24, 2009, the Bankruptcy Court granted this request and deemed the
28 second amended complaint to be Filed. On March 26, 2009, the Lehman Lenders filed an appeal of

1 the Bankruptcy Court's order.

2 On April 27, 2009, the Lehman Lenders Filed a motion to dismiss the second
3 amended complaint (the "Motion to Dismiss Second Amended Complaint"), alleging, among other
4 things, that the Debtors' requested relief was not available as a matter of law and that the Debtors
5 were seeking to circumvent legal restrictions by substantive consolidation. On May 11, 2009, the
6 Debtors Filed an opposition to the Motion to Dismiss Second Amended Complaint, stating that the
7 second amended complaint is not "premised on" substantive consolidation and states a valid cause of
8 action for equitable subordination of the Claims or Interests of the applicable Lehman Lenders. On
9 May 15, 2009, the Lehman Lenders Filed a reply, alleging that the Debtors failed to state their cause
10 of action with sufficient specificity or detail to establish a claim.

11 As more fully discussed in Section 4.5 above, at a hearing held on June 11, 2009, the
12 Bankruptcy Court dismissed the second amended complaint with leave to amend. In July, 2009, the
13 Debtors Filed a third amended complaint, adding new causes of action as set forth in Section 4.5
14 above. The deadline for all defendants to File a responsive pleading to the third amended complaint
15 is September 30, 2009. The Lehman Lenders intend to move to dismiss the complaint for, among
16 other things, failure to state a claim on which relief can be granted.

17 **6.7 Certain Debtors' Filing of the Sales Procedures Motion.**

18 On February 18, 2009, the Trustee Debtors and certain Voluntary Debtors Filed a
19 motion (the "Sale Procedures Motion") seeking approval of overbid procedures for a purchase by
20 D.E. Shaw of a significant portion of the Debtors' assets for \$200 million and its purported
21 assumption of certain related bond liabilities personally guaranteed by Elieff. Although the Sale
22 Procedures Motion indicated that D.E. Shaw would assume the bond liabilities as part of its purchase
23 of the properties, there was no such commitment in D.E. Shaw's commitment letter. The
24 commitment letter provided that \$175 million of the purchase price would be paid in cash and the
25 remaining \$25 million would be in the form of an assumption of the Debtors' contractual and other
26 obligations. As part of the Sale Procedures Motion, the Debtors seeking relief conditioned the sale
27 on the disallowance of the Lehman Lenders' credit bid rights and the transfer of their Liens to the
28 Debtors.

1 On March 10, 2009, the Bankruptcy Court commenced a hearing on the Sale
2 Procedures Motion. At that hearing, the Bankruptcy Court held that the automatic stay in the
3 Lehman Commercial Bankruptcy Proceeding did not apply to the Sales Procedures Motion and
4 continued the Sales Procedures Motion to March 20, 2009.

5 At the March 20, 2009 hearing, the parties agreed to continue the Sale Procedures
6 Motion to allow settlement discussions to take place. The Sale Procedures Motion has been
7 continued from time to time. In August 2009, the Sales Procedures Motion was modified to exclude
8 the 10000 Santa Monica Project owned by SunCal Century City and to reduce the purchase price to
9 \$150 million pursuant to a tentative settlement agreement between Danske Bank and the Trustee.
10 Based upon disclosures made by the Trustee, pursuant to that settlement agreement, the Trustee will
11 convey the 10000 Santa Monica Project to Danske Bank in exchange for \$5.3 million. The Trustee
12 has further disclosed that the settlement agreement provides that SunCal Century City will retain any
13 right it has, or may have, to pursue any Avoidance Actions against the Lehman Lenders with respect
14 to the 10000 Santa Monica Project and SunCal Century City.

15 (a) **Lehman Commercial's Stay Assertion and the Sales Procedure**
16 **Motion.**

17 On March 9, 2009, the Trustee, SCC Communities, Del Rio, and Tesoro Filed
18 emergency motions for an order that the automatic stay in the Lehman Commercial Bankruptcy
19 Proceeding does not apply to the Sales Procedures Motion.

20 On March 10, 2009, Lehman Commercial, Lehman ALI, Northlake Holdings and
21 OVC Holdings Filed responses to the emergency motions, asserting that Lehman Commercial's
22 automatic stay prevented the Bankruptcy Court from hearing the Sales Procedures Motion.

23 On March 10, 2009, the Bankruptcy Court held that the automatic stay in the Lehman
24 Commercial Bankruptcy Case does not apply to the Sales Procedures Motion.

25 (b) **Danske Bank's Intervention into the Sales Procedures Motion.**

26 On March 25, 2009, Danske Bank Filed a supplemental response to the Sales
27 Procedures Motion. Danske Bank's supplemental response asserts various allegations, including the
28 allegations that Danske Bank has a first-priority deed of trust on the 10000 Santa Monica Project by

1 the virtue of the SunCal Century City Loan Agreement and related loan documents and that the
2 Secured Claim and Lien arising from the SunCal Century City Loan Agreement and related loan
3 documents are not subject to a bona fide dispute because there has been no allegation of wrongdoing
4 by Danske Bank and that Danske Bank is a holder in due course that effectively cuts off any
5 defenses to the loan based on the Lehman Lenders' alleged inequitable conduct.

6 On April 1, 2009, the Debtors Filed a reply to Danske Bank's supplemental response
7 asserting that Danske is not a holder in due course and that Danske Bank took the assignment of the
8 disputed loan subject to all defenses thereto, including the defense of equitable subordination
9 described below.

10 (c) **Lehman's Disclosure of the Repurchase Agreement Involving**
11 **Certain Loans with the Debtors.**

12 After the emergence of Danske Bank in connection with the Sales Procedure Motion,
13 the Debtors demanded that the Lehman Lenders disclose any other loans of the Debtors that were
14 subject to repurchase agreements. In response, on or about April 15, 2009, the Lehman Lenders
15 provided a letter to the Debtors disclosing the Repurchase Lehman Loans.

16 (d) **The Modifications to the Sales Procedure Motion.**

17 The Sales Procedures Motion was thereafter modified to include a purchase of the
18 Assets of only the Trustee Debtors and the D.E. Shaw proposed aggregate purchase price was
19 reduced from \$200 million to \$195 million.

20 **6.8 The Lehman Administrative Loans.**

21 (a) **The Stipulation.**

22 At a hearing on March 20, 2009, the Bankruptcy Court approved a stipulation (the
23 "Financing Stipulation") among Lehman ALI, Palmdale Hills, SunCal Emerald, SunCal Bickford,
24 Acton Estates, SunCal Oak Valley, SunCal Heartland, SunCal Northlake, SunCal Marblehead,
25 SunCal Century City, SunCal PSV, Delta Coves, and SunCal Oak Knoll, pursuant to which each of
26 the foregoing Debtors was authorized to borrow from Lehman ALI and Lehman ALI agreed to make
27 individual loans in an aggregate amount equal to \$1,790,572 for the purposes of paying the costs and
28 expenses provided in their 30-day budgets and for paying up to \$250,000 of certain professional

expenses limited to settlement efforts (the “Lehman Administrative Loans”). The loan proceeds were used to pay for the most urgent and critical public health and safety issues on certain of the Projects. The Financing Stipulation provided Lehman ALI superpriority administrative status in each of the Debtor borrowers’ Estates on account of the Lehman Administrative Loans. The Lehman Administrative Loans also have priming lien status on all of the borrowing Debtors’ Assets with the exception of SunCal Century City in which the Lehman Administrative Loans have junior priority. The following is a breakdown of each Debtors’ loans comprising the Lehman Administrative Loans:

DEBTOR NAME	1-MONTH TOTAL
SunCal Century City	\$ 3,166
Acton Estates	\$37,059
SunCal Beaumont	\$0
SunCal Bickford	\$83,454
SunCal Torrance	\$0
Del Rio	\$0
Delta Coves	\$302,307
SunCal Emerald	\$70,259
SunCal Heartland	\$163,231
Johannson Ranch	\$0
SCC Communities	\$0
Marblehead	\$455,009
SunCal Northlake	\$46,909
SunCal Oak Knoll	\$250,876
Oak Valley	\$249,534
SunCal PSV	\$48,809
Palmdale Hills	\$79,959
SunCal Summit Valley	\$0
Tesoro	\$0
Total	\$1,790,572

(b) The Rubidoux Objection.

On April 10, 2009, Rubidoux (defined below) and EMR (defined below) Filed an objection to the Lehman Administrative Loans. The basis for the objection was that SunCal Emerald holds title to portions of the Emerald Meadows Project in constructive trust for Rubidoux and EMR and the Financing Stipulation allowed SunCal Emerald to further encumber the SunCal Emerald Meadows Project with superpriority liens, thereby threatening Rubidoux’s and EMR’s rights to have those portions of the SunCal Emerald Meadows Project returned to them unencumbered, as provided contractually among EMR, Rubidoux and SunCal Emerald. Accordingly, Rubidoux and EMR

1 requested that superpriority liens not attach to a certain portion of the SunCal Emerald Meadows
2 Project. The Lehman Lenders and certain Debtors agreed to modify the Lehman Administrative
3 Loans in this regard.

4
5 **(c) Voluntary Debtors' Further Surcharging Motion.**

6 On September 1, 2009, 14 of the Debtors filed a motion seeking authority to surcharge
7 collateral pursuant to Bankruptcy Code § 506(c) or use the alleged "cash collateral" of the Lehman
8 Lenders for the purpose of addressing public health, safety and other issues relating to some of the
9 Debtors' Projects. In the motion, the Debtors proposed a 120-day budget with expenses totaling
10 \$6,483,316. At a hearing held on September 22, 2009, the Lehman Lenders advised the Court of an
11 agreement subject to documentation, which agreement would provide the funding for a 120-day
12 budget with expenses totaling approximately \$5 million, funded from Palmdale Hills.

13 **6.9 The Contractors' Successful Motions for Relief from Stay to Pursue the**
14 **Bond Claims.**

15 Various contractors of the Debtors that were hired to perform work on some of the
16 Projects have Filed motions for relief from stay with the Bankruptcy Court to pursue their purported
17 Bond Claims against the Bond Issuers. These creditors have requested the Bankruptcy Court relief
18 from the automatic stay to allow such creditors to enforce certain Claims that such creditors allege to
19 have against some of the Debtors, including rights to payment under certain surety bonds that are
20 alleged to have been issued in favor of such creditors. The Debtors opposed the motions on the
21 grounds that the various Debtors are indispensable parties. The Court conditionally granted the
22 motions provided that the Bond Claimants are able to sever the Debtors from their proceedings on
23 the surety bonds against the Bond Issuers.

24 **6.10 The Debtors' Motion Pursuant to Bankruptcy Code Section 506(d).**

25 On May 29, 2009 and June 9, 2009, the Debtors Filed motions seeking orders (i)
26 valuing certain collateral at zero dollars, which allegedly secure certain disputed proofs of claim
27 Filed by the Lehman Lenders, pursuant to 11 U.S.C. § 506(a) and Federal Rule of Bankruptcy
28 Procedure 3012 as set forth in the below chart, (ii) voiding the corresponding liens, pursuant to 11

U.S.C. § 506(d), and (iii) preserving such voided liens for the benefit of the respective bankruptcy estates.

<i>Disputed Proof of Secured Claim No.</i>	<i>Debtor</i>	<i>Claim Holder</i>	<i>Alleged Amount</i>	<i>Alleged Collateral</i>
1	SunCal I	Lehman Commercial	\$343,221,391	SunCal I's allowed interest in Acton Estates, SunCal Summit, SunCal Beaumont, SunCal Johansson, SunCal Emerald, and SunCal Bickford.
1	SCC Palmdale	Lehman Commercial	\$119,664,305	SCC Palmdale's allowed interest in Palmdale Hills.
2	SunCal III	Lehman Commercial	\$343,221,391	SunCal III's ownership interest non-existent investment property
17-2	SunCal Bickford	Lehman ALI	\$56,494,059	Second priority deed of trust on the Bickford Ranch Project.

6.11 The Debtors' Motions to Strike the Claims and Pleadings Arising from the Repurchase Lehman Loans

On June 9, 2009, the Debtors Filed a motion seeking an order striking certain pleadings Filed by the Lehman Lenders to the extent that they are premised on the Lehman Lenders' ownership of the Repurchase Lehman Loans and striking any future pleadings Filed by the Lehman Lenders that are premised on their ownership of the Repurchase Lehman Loans. As noted in Section 3.6 above, the Bankruptcy Court has ruled that the Lehman Lenders have "sold" the Repurchase Lehman Loans to Fenway Capital (a conclusion that is vigorously contested by the Lehman Lenders) and set a hearing for September 22, 2009 to determine whether, notwithstanding what the Bankruptcy Court determined was a "sale" of the Repurchase Lehman Loans, the Lehman Lenders were authorized to File proofs of claim on account of the Repurchase Lehman Loans as agents for Fenway Capital.

6.12 The Debtors' Denied Preliminary Injunction Motion Against the Holders of Bond Claims.

On February 20, 2009, the Debtors Filed a complaint and a motion for preliminary injunction, pursuant to which the Debtors sought a preliminary injunction against the Holders of Bond Claims from pursuing such Claims.

On February 23, 2009, the Bankruptcy Court denied the Debtors' request for a temporary restraining order and granted the Debtors' request to require the defendants thereon to show cause why the motion for preliminary injunction should not be granted.

On March 2, 2009, several Bond Claimants objected to the motion for the preliminary injunction. The objections generally alleged that the Debtors failed to show that the balancing of the equities favored granting the preliminary injunction versus the harm to the Bond Claimants.

At a hearing held on March 4, 2009, the Court denied the motion for preliminary injunction and the underlying complaint has subsequently voluntarily been dismissed without prejudice.

6.13 The Non-Lehman Related Primary Secured Lenders' Motions for Relief from Stay.

Various secured creditors, including Philip C. Dowse, successor Trustee of the Philip C. Dowse revocable trust, and Patricia I. Volkerts, as trustee, have Filed motions for relief from stay with respect to portions of the properties owned by Seven Brothers and SunCal Beaumont. Such secured creditors are not defendants in the ES Action, and the applicable Debtors have not opposed the requested relief. There are other similarly situated secured parties in the real properties owned by Seven Brothers, SunCal Beaumont, and SunCal Summit, which may result in foreclosure of such real property.

6.14 The Rubidoux 60 Litigation.

(a) Procedural Background.

On December 17, 2008, Rubidoux and EMR Filed a complaint in the Bankruptcy Court to remove a prior action (the "Rubidoux Action") filed with the Superior Court of the State of California, County of Riverside (the "Superior Court") to the Bankruptcy Court. The Rubidoux

1 Action filed with the Superior Court is against SunCal Emerald for breach of contract, breach of
2 implied covenant of good faith and fair dealings, and declaratory relief.

3 On March 10, 2009, SunCal Emerald Filed a motion to remand the Rubidoux Action
4 to the Superior Court on the grounds that (i) the Rubidoux Action raises exclusively issues of state
5 law and invokes no substantive right created by the Bankruptcy Code; (ii) the Rubidoux Action is a
6 non-core proceeding and the parties have duly made a demand for a jury trial with the Superior
7 Court; (iii) SunCal Emerald did not consent to the Bankruptcy Court's conducting a jury trial of, or
8 entry of a final order with respect to, the Rubidoux Action; and (iv) SunCal Emerald would suffer
9 prejudice if the Bankruptcy Court did not remand the Rubidoux Action.

10 On April 16, 2009, Rubidoux and EMR Filed a first amended complaint with the
11 Bankruptcy Court and sought to add three additional claims against SunCal Emerald as described
12 below.

13 On April 23, 2009, SunCal Emerald Filed an opposition to the filing of the first
14 amended complaint based on the grounds that Rubidoux and EMR's proposed amendment sought to
15 (i) address a controversy that did not exist and (ii) prevent a potential outcome that was not possible
16 under the law. On April 23, 2009, Rubidoux and EMR Filed an opposition to SunCal's Emerald's
17 motion to remand the Rubidoux Action to the Superior Court.

18 On May 7, 2009, the Bankruptcy Court granted SunCal Emerald's motion to remand
19 the Rubidoux Action to the Superior Court. The Rubidoux Action is currently pending before the
20 Superior Court.

21 **(b) Rubidoux's Allegations.**

22 Rubidoux and EMR make the allegations that (i) certain real property over which
23 SunCal Emerald holds legal title is actually being held in constructive trust for Rubidoux and EMR,
24 (ii) said property therefore should not be considered part of SunCal Emerald's bankruptcy estate, and
25 (iii) that certain funds currently held in an escrow account that SunCal Emerald refuses to allow to
26 be released to Rubidoux and EMR should also not be considered part of SunCal Emerald's
27 bankruptcy estate because such funds belong to Rubidoux and EMR.

28 According to Rubidoux and EMR, these allegations are based on various prepetition

1 agreements among EMR, Rubidoux and SunCal Emerald, pursuant to which SunCal Emerald
2 allegedly holds title to portions of the Emerald Meadows Project in constructive trust for EMR and
3 Rubidoux. Rubidoux and EMR allege that portions of the Emerald Meadows Project were
4 temporarily transferred to SunCal Emerald, without any consideration, and that SunCal Emerald is
5 required to transfer such property back to EMR and Rubidoux when certain parcel maps are
6 recorded.

7 Rubidoux and EMR also allege that approximately \$500,000 that is currently held in a
8 certain escrow account by SunCal Emerald should be paid to Rubidoux and EMR.

9 If Rubidoux and EMR are successful in the Rubidoux Action, the SunCal Emerald
10 Estate will be comprised of less property that could be available to other Holders of Claims against
11 the SunCal Emerald Estate.

12 **6.15 Church Litigation.**

13 On March 30, 2009, Life Church of God in Christ (the "Church") Filed an adversary
14 complaint (the "Church Litigation") against SunCal Emerald for breach of contract, breach of
15 implied covenant of good faith and fair dealings and declaratory relief.

16 The Church alleges that SunCal Emerald has not used its best efforts as required by
17 certain agreements to record various maps to entitle the property owned by SunCal Emerald and
18 such failure has caused its inability to transfer certain portions of the property owned by SunCal
19 Emerald to the Church. The Church further alleges that SunCal Emerald is obligated to make certain
20 improvements to described property but has failed to do so. The Church also alleges that SunCal
21 Emerald has failed to keep the property free and clear of liens and encumbrances as required by
22 certain agreements.

23 On April 1, 2009, SunCal Emerald Filed its response to the adversary complaint
24 generally denying various elements of the causes of action asserted against it and asserting various
25 affirmative defenses.

26 **6.16 Mechanic's Lien Claims.**

27 Mechanic's Lien claims constitute Claims arising pursuant to California Civil Code
28 §3110 et seq. that were either perfected prepetition or otherwise satisfy the requirements of

Bankruptcy Code 546(b). There are approximately \$27 million of asserted Mechanic's Lien claims against various of the Debtors' Projects.

The \$27 million of Mechanic's Lien claims exclude \$275,918 of Mechanic's Lien claims asserted against Del Rio and \$1,996,537 of Mechanic's Lien claims asserted against SJD Partners, neither of which own real property.

6.17 The Debtors' Potential Preferential Transfers.

The Debtors' Schedules and Statement of Financial Affairs, which are on file with the Bankruptcy Court and available for viewing, provide a list of all payments made to creditors, other than Insiders, for the 90 days preceding the respective Petition Dates, and all payments made to insiders during the one year preceding the respective Petition Dates.

Below is a summary showing the total payments by each Debtor to non-insiders within the 90 days preceding the Petition Date for each Debtor, as disclosed by the Debtors in the Schedules and Statement of Financial Affairs.

<u>NAME OF DEBTOR</u>	<u>AMOUNT TRANSFERRED</u>
Acton Estates	\$1,300.00
SunCal Beaumont	\$25,244.97
SunCal Bickford	\$133,669.98
SunCal I	\$0.00
SunCal III	\$0.00
SunCal Emerald	\$128,287.10
SunCal Johansson	\$26,187.00
Kirby Estates	\$0.00
Del Rio	\$86,622.93
SCC Palmdale	\$0.00
Palmdale Hills	\$6,002,491.87
SCC Communities	\$500.00
Seven Brothers	\$0.00
SJD Development	\$25.00
SJD Partners	\$748,926.28
SunCal Summit Valley	\$39,649.77
Tesoro	\$659.00
SunCal Century City	\$190,087.05
Delta Coves	\$597,961.92
SunCal Heartland	\$48,896.50
SunCal Marblehead	\$1,798,895.67
SunCal Northlake	\$833,921.81
SunCal Oak Knoll	\$2,324,630.92
SunCal Oak Valley	\$316,534.90
SunCal PSV	\$446,722.69

SunCal Torrance	\$18,618.50
Total	\$13,769,833.86

Under the Lehman Plan, the Liquidating Trustee is authorized to investigate and pursue potential Avoidance Actions.

Below is a summary showing the total payments by each Debtor to SunCal within one year preceding the Petition Date for each Debtor, as disclosed by the Debtors in the Schedules and Statements of Financial Affairs.

<u>NAME OF DEBTOR</u>	<u>AMOUNT TRANSFERRED</u>	<u>RECIPIENT</u>
Acton Estates	\$7,885.12	SunCal Management
SunCal Beaumont	\$15,602.83	SunCal Management
SunCal Bickford	\$492,802.57	SunCal Management & Acquisitions
SunCal I	\$20,449.52	SunCal Bickford
SunCal III	\$0.00	N/A
SunCal Emerald	\$884,890.80	SunCal Management & Acquisitions
SunCal Johansson	\$8,046.53	SunCal Management & Acquisitions
Kirby Estates	\$500.00	SunCal Management
Del Rio	\$50,721.00	SunCal Management & Acquisitions
SCC Palmdale	\$238,352.34	N/A
Palmdale Hills	\$1,149,348.04	SunCal Management & Acquisitions
SCC Communities	\$0.00	
Seven Brothers	\$0.00	N/A
SJD Development	\$0.00	N/A
SJD Partners	\$498,351.39	SunCal Management
SunCal Summit Valley	\$16,717.60	Acquisitions & SC Master Marketing LLC
Tesoro	\$5,000.00	Acquisitions
SunCal Century City	\$747,727.13	SunCal Management & Acquisitions
Delta Coves	\$2,305,572.58	SunCal Management & Acquisitions
SunCal Heartland	\$282,628.75	SunCal Management; SunCal Marblehead Heartland Master LLC
SunCal Marblehead	\$945,435.28	SunCal Management; Acquisitions; and SunCal Marblehead Heartland Master LLC
SunCal Northlake	\$819,207.14	SunCal Management; Acquisitions; SCC College Park LLC
SunCal Oak Knoll	\$2,914,645.70	SunCal Management and Acquisitions
SunCal Oak Valley	\$87,293.65	SunCal Management and Acquisitions
SunCal PSV	\$4,345.05	SunCal Management; Lehman SunCal Real Estate Fund
SunCal Torrance	\$310,181.43	SunCal Management; Acquisitions; SunCal PSV; and Lehman SunCal Real Estate Holdings

1 Total \$11,805,704.45

2 The Debtors contend that these payments were made in the ordinary course of the
3 Debtors' business, predominately in the form of management fees. However, as described below, the
4 Lehman Plan preserves the right of the Liquidating Trustee to pursue any valid claims based on these
5 transfers. The Elieff Plan, however, would release all of the foregoing claims against Elieff and any
6 of his related parties.

7 **6.18 The Debtors Substantive Consolidation Motion**

8 On September 24, 2009, the Debtors filed a motion for substantive consolidation of
9 some, but not all, of the Debtors' assets and liabilities, as well as non-debtor LV Pacific Point LLC.
10 The substantive consolidation motion does not include the Estates of Seven Brothers, Kirby Estates,
11 SunCal Beaumont or SunCal Johansson, ostensibly for the reason that "such Debtors do not have a
12 Lehman Lender or Lehman Successor as their primary Secured Creditor, do not have any Assets or
13 value, or do not have unsecured creditors". As more fully set forth herein, the Lehman Proponents
14 do not believe that the foregoing substantive consolidation motion has any merit and intend to
15 vigorously oppose the motion. The Debtors content that if the motion is granted, the Trustee will be
16 discharged but both Committees will remain in place.

17 **6.19 Debtors' and Lehman Lenders' Motions to Approve Administrative Loans**
18 **for Payment of Professionals**

19 On September 4, 2009, the Debtors filed a motion seeking approval of the
20 Acquisitions Administrative Loan upon various terms more fully disclosed therein. The Debtors
21 filed an application for an order shortening time to have a hearing held on such motion on September
22 22, 2009. The Court denied the application for an order shortening time and the Trustee has
23 declined to proceed with the motion.

24 On September 25, 2009, the Trustee and the Lehman Lenders filed a joint motion
25 seeking an order authorizing the Trustee to use the Lehman Lenders' alleged cash collateral held by
26 the Trustee Debtors and Voluntary Debtors to pay for certain professionals hired at the expense of
27 the Estates in these Cases. The Voluntary Debtors and certain other parties in interest filed
28 oppositions to this motion and the Voluntary Debtors have also filed an *ex parte* motion to continue

1 the hearing on the joint motion (currently scheduled to occur on October 15, 2009) to November 5,
2 2009 (the date on which the alternative financing motion of the Voluntary Debtors (described below)
3 is scheduled to be heard. In response to the opposition to the joint motion, the Trustee and the
4 Lehman Lenders filed a reply in which they agreed to modify the proposed stipulation attached to
5 the joint motion. The Trustee and the Lehman Lenders have objected to the *ex parte* motion for
6 continuance.

7 The Voluntary Debtors have filed a motion seeking authority to use the Lehman
8 Lenders' cash collateral and to authorize loans from Acquisitions to pay professional fees and
9 expenses, up to a cap of \$2.7 million. This motion is currently set for hearing on November 5, 2009.

10 VII.

11 LEHMAN CREDITORS' PLAN

12 **7.1 Treatment of Unclassified Claims.**

13 As required by the Bankruptcy Code, the Lehman Plan places Claims and Interests
14 into various Classes according to their right to priority. However, certain types of Claims are not
15 classified in any Classes under the Lehman Plan and the Lehman Proponents have not placed such
16 Claims in a Class. These Claims are "unclassified." As to Allowed Administrative Claims and
17 Allowed Priority Tax Claims, these Claims are not considered impaired, and they do not vote on the
18 Plan because they are automatically entitled to specific treatment provided for them in the
19 Bankruptcy Code. Other unclassified Claims support Liens that have not been avoided, but are not
20 classified to the extent the Claims were not timely Filed. The treatment of these unclassified Claims
21 is as provided below.

22 **7.2 Treatment of Allowed Administrative Claims.**

23 Except to the extent that the Holder of an Allowed Administrative Claim agrees to a
24 different treatment, and subject to the Administrative Claim Bar Date set forth in the Lehman Plan,
25 the Liquidating Trustee shall pay each Allowed Administrative Claim in full, in Cash, on the later of
26 (i) the Effective Date, (ii) within ten (10) Business Days after the date such Administrative Claim
27 becomes an Allowed Administrative Claim, or (iii) the date such Allowed Administrative Claim
28 becomes due according to its terms. Notwithstanding the foregoing, any Allowed Administrative

1 Claim representing obligations incurred prior to the Effective Date in the ordinary course of post-
2 petition business by the Plan Debtors (including without limitation post-petition trade obligations
3 and routine post-petition payroll obligations) shall be paid in full or performed by the Liquidating
4 Trustee in the ordinary course of business, in accordance with the terms of the particular obligation.

5 (a) **Treatment and Repayment of the Lehman Administrative Loan(s).**

6 The Lehman Administrative Loans (certain post-petition and pre-Confirmation
7 financing provided by Lehman Related Parties pursuant to order(s) of the Bankruptcy Court, as more
8 fully defined above) are Allowed in the amount loaned or advanced by Lehman ALI after the
9 commencement of the Cases net of any repayment thereof and shall be paid in Cash in full on the
10 Effective Date, together with any interest, charges and expenses due thereupon, or shall be payable
11 at such later time and on such terms more favorable to the Liquidating Trustee to which the
12 applicable Lehman Related Party may agree; provided that repayment of any loans made through use
13 of Cash Collateral shall be repaid by replenishing such Cash Collateral and depositing the amount
14 thereof in the Plan Reserve for treatment in accordance with this Plan. Pending any such payment or
15 during a period of voluntary deferral by the applicable Lehman Related Party, the Lehman
16 Administrative Loans and any interest, charges and expenses due thereupon shall continue to have a
17 first priority Lien against the respective Assets securing such loans, including any proceeds thereof
18 deposited in the Plan Reserve or Post-Confirmation Accounts (with the exception of the Lien for the
19 amounts due under the Lehman Administrative Loan secured by the 10000 Santa Monica Project,
20 which shall be subordinate to the Secured Claims and Liens arising from the SunCal Century City
21 Loan Agreement).

22 (b) **Administrative Claim Bar Date.**

23 Any Administrative Claim which is subject to an Administrative Claim Bar Date and not
24 Filed by the applicable Administrative Claim Bar Date shall be disallowed, and no distribution shall
25 be made on account of any such Administrative Claim.

26 (i) **General Administrative Claim Bar Date.**

27 All applications for final compensation of Professionals for services rendered and for
28 reimbursement of expenses incurred on or before the Effective Date and all other requests for

1 payment of Administrative Claims incurred before the Effective Date under Sections 507(a)(2) or
2 507(b) of the Bankruptcy Code (except only for (i) post-petition, ordinary course trade obligations
3 and routine post-petition payroll obligations incurred in the ordinary course of the Plan Debtors'
4 postpetition business, for which no bar date shall apply, and (ii) post-petition tax obligations, for
5 which the bar date described in the following Section shall apply) shall be Filed with the Bankruptcy
6 Court and served upon the Liquidating Trustee no later than the General Administrative Claim Bar
7 Date, unless such date is extended by the Bankruptcy Court after notice to the Liquidating Trustee.
8 Any such request for payment of an Administrative Claim that is subject to the General
9 Administrative Claim Bar Date and that is not Filed and served on or before the General
10 Administrative Claim Bar Date shall be forever barred; any party that seeks payment of
11 Administrative Claims that is required to File a request for payment of such Administrative Claims
12 and does not File such a request by the deadline established in the Lehman Plan, shall be forever
13 barred from asserting such Administrative Claims against the Plan Debtors, the Liquidating Trustee,
14 the Plan Debtors' Estates, or any of their properties.

15 **(ii) Administrative Tax Claim Bar Date.**

16 All requests for payment of Administrative Claims by a governmental unit for Taxes
17 (and for interest and/or penalties related to such Taxes) for any tax year or period, all or any portion
18 of which occurs or falls within the period from and including the applicable Petition Date through
19 and including the Effective Date ("Administrative Tax Claims") and for which no bar date has
20 otherwise previously been established, must be Filed and served on the Liquidating Trustee on or
21 before the later of (i) sixty (60) days following the Effective Date; and (ii) 180 days following the
22 filing of the tax return for such Taxes for such tax year or period with the applicable governmental
23 unit. Any Holder of an Administrative Tax Claim that is required to File a request for payment of
24 such Taxes and does not File and properly serve such a request by the applicable bar date shall be
25 forever barred from asserting any such Administrative Tax Claims against the Plan Debtors,
26 Liquidating Trustee, Plan Debtors' Estates, or their properties.

27 **7.3 Treatment of Priority Unsecured Tax Claims.**

28 Priority Tax Claims are certain unsecured income, employment and other Taxes

described by Bankruptcy Code Section 507(a)(8) and Claims, as provided in Bankruptcy Code Section 1129(a)(7)(D) which would otherwise meet such description, but for the secured status of that Claim. The Bankruptcy Code requires that each Holder of such a Priority Tax Claim receive the present value of such Claim in deferred Cash payments over a period not exceeding five (5) years from the applicable Petition Date and that such treatment not be less favorable than the treatment accorded to non-priority unsecured creditors.

At the election of the Liquidating Trustee, the Holder of each Allowed Priority Tax Claim shall be entitled to receive, on account of such Claim, (i) equal Cash payments on the last Business Day of each three-month period following the Effective Date, during a period not exceeding five years after November 6, 2008, totaling the principal amount of such Claim plus simple interest on any unpaid balance from the Effective Date, calculated at the interest rate available on ninety (90) day United States Treasuries on the Effective Date, (ii) such other treatment agreed to by the Holder of the Allowed Priority Tax Claim and the Liquidating Trustee, provided such treatment is on more favorable terms to the applicable Plan Debtor's Estate than the treatment set forth in clause (i) hereof, or (iii) payment of the full Allowed Priority Tax Claim in Cash on the Effective Date.

7.4 Treatment of Unavoided Liens Securing Claims That Are Not Allowed.

Unless the Holder thereof objects, if there is a Lien that cannot be avoided as set forth in Bankruptcy Code § 502(d) even though the Claim it secures is not Allowed or is disallowed, then the Lien shall continue in force, be transferred or be released and extinguished on and after the Effective Date in the same manner and to the same extent as if the Claim were Allowed as a Secured Claim and any such Claim it secures shall be treated on and after the Effective Date as if it were an Allowed Claim (provided that the Bankruptcy Court may issue such orders as are appropriate to give effect to Bankruptcy Code § 502(e), *e.g.*, to assure a single recovery for Claims of a Creditor and another Creditor liable with the applicable Debtors for such Claim and for which such Debtor is liable for reimbursement or contribution). The Lehman Lenders consent to such treatment.

7.5 Classification Of Claims And Interests.

As required by the Bankruptcy Code, the Lehman Plan places Claims and Interests

into various Classes according to their right to priority and other relative rights. This Plan specifies whether each Class of Claims or Interests is impaired or unimpaired, and the Lehman Plan sets forth the treatment each Class will receive. The table below lists the Classes of Claims established under the Lehman Plan and states whether each particular Class is impaired or left unimpaired by the Lehman Plan. A Class is "unimpaired" if the Lehman Plan leaves unaltered the legal, equitable and contractual rights to which the Holders of Claims or Interests in the Class are entitled, with certain exceptions specified in the Bankruptcy Code.

For voting purposes and to comply with Bankruptcy Code section 1122(a), each Allowed Secured Claim shall be deemed to be in its own subclass even if not expressly designated as such. Further, in the event that any alleged Secured Claim is not, or only is partially, Allowed as a Secured Claim, the deficiency amount will constitute a Class 7 or Class 8 Claim against the applicable Plan Debtor, as appropriate, and will receive the same treatment as provided to other Claims in Class 7 or Class 8 of such Plan Debtor, as appropriate.

THE INVESTIGATION OF CLAIMS AND INTERESTS IS NOT YET COMPLETE, AND THEIR LISTING IN THE LEHMAN PLAN OR IN THE TABLES BELOW SHOULD NOT BE CONSTRUED AS PROVIDING THAT SUCH CLAIMS ARE ALLOWED UNDER THE PLAN IN ANY RESPECT (WHETHER AS TO AMOUNT OR AS TO STATUS, E.G., AS A SECURED CLAIM, SECURED REAL PROPERTY TAX CLAIM OR MECHANIC'S LIEN CLAM), EXCEPT AS EXPRESSLY SET FORTH FOR THE PARTICULAR CLAIM.

CLASS 1: CLASSIFICATION OF ALLOWED SECURED REAL PROPERTY TAX CLAIMS		Class 1 is Unimpaired	Class 1 Claim Holders are Not Entitled to Vote
<u>Class</u>	<u>Claims</u>	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number)</u>	
Class 1.1	Secured Real Property Tax Claim of Los Angeles County against the Ritter Ranch Project	Palmdale Hills; Palmdale Hills 12	
Class 1.2	Secured Real Property Tax Claim of Los Angeles County against the Acton Project in the amount of \$200	Acton Estates; Acton Estates 1	

CLASS 1: CLASSIFICATION OF ALLOWED SECURED REAL PROPERTY TAX CLAIMS	Class 1 is Unimpaired	Class 1 Claim Holders are Not Entitled to Vote
Class 1.3	Secured Real Property Tax Claim of Riverside County against the Emerald Meadows Project in the amount of \$284	Emerald Meadows; Emerald Meadows 9
Class 1.4	Secured Real Property Tax Claim of Placer County against the Bickford Ranch Project	SunCal Bickford; SunCal Bickford Scheduled Amount
Class 1.5	Secured Real Property Tax Claim of Contra Costa County against the Delta Coves Project in the amount of \$609,221.	Delta Coves; Delta Coves 16
Class 1.6	Secured Real Property Tax Claim of Riverside County against the Heartland Project in the amount of \$559,022.	SunCal Heartland; SunCal Heartland 5
Class 1.7	Secured Real Property Tax Claim of Orange County against the Marblehead Project in the amount of \$379,156.	SunCal Marblehead; SunCal Marblehead 49 and 57
Class 1.8	Secured Real Property Tax Claim of Los Angeles County against the Northlake Project in the amount of \$1,189,919.	SunCal Northlake; SunCal Northlake Scheduled Amount
Class 1.9	Secured Real Property Tax Claim of Riverside County against the Oak Valley Project in the amount of \$280,280.	SunCal Oak Valley; SunCal Oak Valley 9
Class 1.10	Secured Real Property Tax Claim of Los Angeles County against the 10000 Santa Monica Project in the amount of \$1,407,212.	SunCal Century City; SunCal Century City 4
Class 1.11	Secured Real Property Tax Claim of San Bernardino County against the Palm Springs Village Project in the amount of \$589,367.	SunCal PSV; SunCal PSV 22
Class 1.12	Secured Real Property Tax Claim (disputed) of Alameda County against the Oak Knoll Project in the amount of \$2,356,035.	SunCal Oak Knoll; SunCal Oak Knoll 22, 23 and 24
Class 1.13	Secured Real Property Tax Claim of Los Angeles County against the Tesoro Project in the amount of \$70,239.	Tesoro; Tesoro 2
Class 1.14	Secured Real Property Tax Claim of San Bernardino County against the Joshua Ridge Project in the amount of \$5,900.	SCC Communities; SCC Communities Scheduled Amount
Class 1.15	Secured Real Property Tax Claim of Placer County against the Summit Valley Project in the amount of \$ 504,245.	SunCal Summit Valley; Palmdale Hills 97
Class 1.16	Secured Real Property Tax Claim of San Bernardino County against the Summit Valley Project in the amount of \$69,530.	SunCal Summit Valley; SunCal Summit Valley Scheduled Amount
Class 1.17	Secured Real Property Tax Claim of Riverside County against the Beaumont Project in the amount of \$365,954.	SunCal Beaumont; SunCal Beaumont 9

CLASS 1: CLASSIFICATION OF ALLOWED SECURED REAL PROPERTY TAX CLAIMS		Class 1 is Unimpaired	Class 1 Claim Holders are Not Entitled to Vote
Class 1.18	Secured Real Property Tax Claim of Stanislaus County against the Johannson Ranch Project in the amount of \$75,106.		SunCal Johannson; SunCal Johannson Scheduled Amount
Class 1.19	Secured Real Property Tax Claim of San Bernardino County against Seven Brothers' property in the amount of \$60,828.		Seven Brothers; Seven Brothers Scheduled Amount
Class 1.20	Secured Real Property Tax Claim of San Bernardino County against the property Kirby Estates' property in the amount of \$1,744.		Kirby Estates; Kirby Estates Scheduled Amount
CLASS 2: CLASSIFICATION OF LEHMAN SECURED CLAIMS¹⁰		Class 2 is Impaired	Class 2 Claim Holders are Entitled to Vote
<u>Class</u>	<u>Claims</u>	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number).</u>	
	<u>SunCal Communities I Loan Agreement</u>		
Class 2.1	Allowed Claim of Lehman Commercial or its assignee or successor against Acton Estates arising from the SunCal Communities I Loan Agreement in the Allowed Amount of \$343,221,391.06 and as an Allowed Secured Claim in the amount of \$6.8 million plus Cash Collateral		Acton Estates; Acton Estates: 6
Class 2.2	Allowed Claim of Lehman Commercial or its assignee or successor against SunCal Emerald arising from the SunCal Communities I Loan Agreement in the Allowed Amount of \$343,221,391.06 and as an Allowed Secured Claim in the amount of \$12 million plus Cash Collateral		SunCal Emerald; SunCal Emerald: 7
Class 2.3	Allowed Claim of Lehman Commercial or its assignee or successor against SunCal Bickford arising from the SunCal Communities I Loan Agreement in the Allowed Amount of \$343,221,391.06 and as an Allowed Secured Claim in the amount of \$29.5 million plus Cash Collateral		SunCal Bickford; SunCal Bickford: 16

¹⁰ The Secured Claims of the Lehman Creditors indicated below are calculated using the applicable Project values of the Lehman Lenders as set forth in Exhibit 2 to the Debtors' Third Amended Disclosure Statement, provided that references to "Cash Collateral" in this table are references to the Cash Collateral as of the Effective Date for the applicable Lehman Creditor from the applicable Debtor (to be estimated for voting purposes in the amount set forth in Exhibit 1 to the Debtors' Third Amended Disclosure Statement) and provided, further, that the Lehman Proponents shall be entitled to reasonably apportion any Cash Collateral in which multiple Plan Debtors' Estates may have interests.

CLASS 2: CLASSIFICATION OF LEHMAN SECURED CLAIMS ¹⁰	Class 2 is Impaired	Class 2 Claim Holders are Entitled to Vote
<u>Class</u>	<u>Claims</u>	<u>Plan Debtor and Basis for Claim</u> (i.e., Scheduled Amount or Case in Which Proof Filed and Number).
Class 2.4	Allowed Claim of Lehman Commercial or its assignee or successor against SunCal Summit Valley arising from SunCal Communities I Loan Agreement in the Allowed Amount of \$343,221,391.06 and as an Allowed Secured Claim in the amount of \$2.2 million plus Cash Collateral	SunCal Summit Valley; SunCal Summit Valley: 12
	<u>Ritter Ranch Loan Agreement</u>	
Class 2.5	Allowed Claim of Lehman Commercial or its assignee or successor against Palmdale Hills arising from the Ritter Ranch Loan Agreement in the Allowed Amount of \$287,252,096.31 and as an Allowed Secured Claim in the amount of \$42.9 million plus Cash Collateral	Palmdale Hills; Palmdale Hills: 65
	<u>Interim Loan Agreement</u>	
Class 2.6	Allowed Claim of Lehman ALI or its assignee or successor against SCC Communities, arising from the Interim Loan Agreement in the Allowed Amount of \$23,795,012.59 and as an Allowed Secured Claim in the amount of \$1.2 million plus Cash Collateral	SCC Communities; SCC Communities: 9
Class 2.7	Allowed Claim of Lehman ALI or its assignee or successor against Del Rio arising from the Interim Loan Agreement in the Allowed Amount of \$23,795,012.59 and as an Allowed Secured Claim in the amount of \$4.5 million plus Cash Collateral	Del Rio; Del Rio: 14
Class 2.8	Allowed Claim of Lehman ALI or its assignee or successor against Tesoro rising from the Interim Loan in the Allowed Amount of \$23,795,012.59 and as an Allowed Secured Claim in the amount of \$1.85 million plus Cash Collateral	Tesoro; Tesoro: 7
	<u>SunCal Oak Knoll/SunCal Torrance Loan Agreement</u>	
Class 2.9	Allowed Claim of Lehman ALI or its assignee or successor against SunCal Oak Knoll arising from the SunCal Oak Knoll/SunCal Torrance Loan Agreement in the Allowed Amount of \$158,141,364.64 and as an Allowed Secured Claim in the amount of \$48 million plus Cash Collateral	SunCal Oak Knoll; SunCal Oak Knoll: 12

CLASS 2: CLASSIFICATION OF LEHMAN SECURED CLAIMS ¹⁰	Class 2 is Impaired	Class 2 Claim Holders are Entitled to Vote
<u>Class</u>	<u>Claims</u>	<u>Plan Debtor and Basis for Claim</u> (i.e., Scheduled Amount or Case in Which Proof Filed and Number).
Class 2.10	Allowed Claim of Lehman ALI or its assignee or successor against SunCal Torrance arising from the SunCal Oak Knoll/SunCal Torrance Agreement in the Allowed Amount of \$157,870,186.15 and as an Allowed Secured Claim in the amount of \$25 million plus Cash Collateral	SunCal Torrance; SunCal Torrance: 4
	<u>Delta Coves Loan Agreement</u>	
Class 2.11	Allowed Claim of Lehman ALI or its assignee or successor against Delta Coves arising from the Delta Coves Loan Agreement in the Allowed Amount of \$206,023,142.48 and as an Allowed Secured Claim in the amount of \$25.2 million plus Cash Collateral	Delta Coves; Delta Coves 21
	<u>SunCal Marblehead / SunCal Heartland Loan Agreement</u>	
Class 2.12	Allowed Claim of Lehman ALI against SunCal Marblehead arising from the SunCal Marblehead / SunCal Heartland Loan Agreement in the Allowed Amount of \$354,325,126.15 and as an Allowed Secured Claim in the amount of \$7.9 million plus Cash Collateral	SunCal Heartland; SunCal Heartland: 9
Class 2.13	Allowed Claim of Lehman ALI or its assignee or successor against SunCal Heartland arising from the SunCal Marblehead / SunCal Heartland Loan Agreement in the Allowed Amount of \$354,325,126.15 and as an Allowed Secured Claim in the amount of \$187.5 million plus Cash Collateral	SunCal Marblehead; SunCal Marblehead: 21
	<u>SunCal Oak Valley Loan Agreement</u>	
Class 2.14	Allowed Claim of OVC Holdings or its assignee or successor against SunCal Oak Valley arising from the SunCal Oak Valley Loan Agreement in the Allowed Amount of \$141,630,091.63 and as an Allowed Secured Claim in the amount of \$20.9 million plus Cash Collateral	SunCal Oak Valley; SunCal Oak Valley 16
	<u>SunCal Northlake Loan Agreement</u>	

CLASS 2: CLASSIFICATION OF LEHMAN SECURED CLAIMS¹⁰		Class 2 is Impaired	Class 2 Claim Holders are Entitled to Vote
<u>Class</u>	<u>Claims</u>	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number).</u>	
Class 2.15	Allowed Claim of Northlake Holdings or its assignee or successor against SunCal Northlake arising from the Northlake Loan Agreement in the Allowed Amount of \$123,654,776.88 and as an Allowed Secured Claim in the amount of \$23 million plus Cash Collateral	SunCal Northlake; SunCal Northlake 6	
	<u>SunCal PSV Loan Agreement</u>		
Class 2.16	Allowed Claim of Lehman ALI or its assignee or successor arising from the SunCal PSV Loan Agreement in the Allowed Amount of \$88,257,340.20 and as an Allowed Secured Claim in the amount of \$13.8 million plus Cash Collateral	SunCal PSV; SunCal PSV 12	
	<u>Pacific Point First Loan Agreement</u>		
Class 2.17	Contingent Lehman ALI Claims Against SJD Partners Allowed as a Secured Claim for Voting Purposes in the Amount of \$25 million	SJD Partners; SJD Partners 23	
CLASS 3: CLASSIFICATION OF ALLOWED DANSKE SECURED CLAIM		Class 3 is Impaired	The Class 3 Claim Holder is Entitled to Vote
<u>Class</u>	<u>Claims</u>	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number).</u>	
Class 3.1	Secured Claim of Danske Bank against SunCal Century City arising from the SunCal Century City Loan Agreement, in the Allowed Amount of \$120,000,000.	SunCal Century; City SunCal Century City 17	
CLASS 4: CLASSIFICATION OF ALLOWED OTHER SECURED CLAIMS		Class 4 is Unimpaired	Class 4 Claim Holders are Not Entitled to Vote
<u>Class</u>	<u>Claims</u>	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof of Claim Filed and Number)</u>	

CLASS 4: CLASSIFICATION OF ALLOWED OTHER SECURED CLAIMS	Class 4 is Unimpaired	Class 4 Claim Holders are Not Entitled to Vote
Class	Claims	Plan Debtor and Basis for Claim (<i>i.e.</i> , Scheduled Amount or Case in Which Proof of Claim Filed and Number)
Class 4.1	Secured Claim of, or formerly of, Yen Chu Chang Dou, et al. pursuant to first-priority deed of trust against certain portions of the Beaumont Heights Project in the amount of \$3,173,499.50.	SunCal Beaumont; SunCal Beaumont 3
Class 4.2	Secured Claim of, or formerly of, Cheryl M. Mims pursuant to a first-priority deed of trust against certain portions of the Beaumont Heights Project in the amount of \$136,229.	SunCal Beaumont; Palmdale Hills 101
Class 4.3	Secured Claim of, or formerly of, William L & Kathleen Ward pursuant to a first-priority deed of trust against certain portions of the Beaumont Heights Project in the amount of \$130,000.	SunCal Beaumont; SunCal Beaumont Scheduled Amount
Class 4.4	Secured Claim of, or formerly of, Scott McDaniel pursuant to a first-priority deed of trust against certain portions of Beaumont Heights Project in the amount of \$535,000.	SunCal Beaumont; Palmdale Hills 20
Class 4.5	Secured Claim of, or formerly of, Wayne & Francis Lee pursuant to a first-priority deed of trust against certain portions of the Beaumont Heights Project in the amount of \$650,000.	SunCal Beaumont; SunCal Beaumont Scheduled Amount
Class 4.6	Secured Claim of, or formerly of, Marie B. Stanford pursuant to a first-priority deed of trust against certain portions of Beaumont Heights Project in the amount of \$154,742.	SunCal Beaumont; SunCal Beaumont 6
Class 4.7	Secured Claim of, or formerly of, Patricia I Volkerts pursuant to a first-priority deed of trust against certain portions of Beaumont Heights Project in the amount of \$871,703.	SunCal Beaumont; Palmdale Hills 11
Class 4.8	Secured Claim of, or formerly of, Arleen Logan pursuant to a first-priority deed of trust against certain portions of the Summit Valley Project in the amount of \$668,250.	SunCal Summit Valley; SunCal Summit Valley 5
Class 4.9	Secured Claim of, or formerly of, K Square pursuant to a first-priority deed of trust Properties Inc. against certain portions of the Summit Valley Project in the amount of \$200,000.	SunCal Summit Valley; SunCal Summit Valley Scheduled Amount
Class 4.10	Secured Claim of, or formerly of, Leslie Quigg & Betty Quigg pursuant to a first-priority deed of trust against certain portions of the Summit Valley Project in the amount of \$1,246,500.	SunCal Summit Valley; SunCal Summit Valley Scheduled Amount

CLASS 4: CLASSIFICATION OF ALLOWED OTHER SECURED CLAIMS	Class 4 is Unimpaired	Class 4 Claim Holders are Not Entitled to Vote
Class	Claims	Plan Debtor and Basis for Claim (<i>i.e.</i> , Scheduled Amount or Case in Which Proof of Claim Filed and Number)
Class 4.11	Secured Claim of, or formerly of, Jerry Wong Scheduled Amount & Rosalie Wong, Inc. pursuant to a first-priority deed of trust against certain portions of the Summit Valley Project in the amount of \$390,000.	SunCal Summit Valley; SunCal Summit Valley Scheduled Amount
Class 4.12	Secured Claim of, or formerly of, Cheltimalie Enterprises pursuant to a first-priority deed of trust against certain portions of the Summit Valley Project owned by Seven Brothers in the amount of \$1,388,156.	Seven Brothers; SunCal Summit 17
Class 4.13	Secured Claim of, or formerly of, Philip C. Dowse and Vera G. Dowse pursuant to a first-priority deed of trust against certain portions of the Summit Valley Project owned by Seven Brothers in the amount of \$296,910.	Seven Brothers; Seven Brothers Scheduled Amount
Class 4.14	Secured Claim of, or formerly of, Philip C. Dowse pursuant to a first-priority deed of trust against certain portions of the Summit Valley Project owned by Seven Brothers in the amount of \$880,000.	Seven Brothers; Seven Brothers Scheduled Amount
Class 4.15	Secured Claim of, or formerly of, Desert Wind, LLC pursuant to a first-priority deed of trust against certain portions of the Summit Valley Project owned by Seven Brothers in the amount of \$862,000.	Seven Brothers; Seven Brothers Scheduled Amount
CLASS 5: CLASSIFICATION OF ALLOWED MECHANIC'S LIEN CLAIMS	Class 5 is Unimpaired	Class 5 Claim Holders are Not Entitled to Vote
Class	Claims	<u>Plan Debtor and Basis for Claim</u> (<i>i.e.</i> , Scheduled Amount or Case in Which Proof Filed and Number)

CLASS 5: CLASSIFICATION OF ALLOWED MECHANIC'S LIEN CLAIMS	Class 5 is Unimpaired	Class 5 Claim Holders are Not Entitled to Vote
Class	Claims	<u>Plan Debtor and Basis for Claim</u> (i.e., Scheduled Amount or Case in Which Proof Filed and Number)
Class 5.1	Mechanic's Lien Claim of Asphalt Professionals or its assignee or successor against the Ritter Ranch Project owned by Palmdale Hills in the amount of \$38,249.	Palmdale Hills; Palmdale Hills 1 and 46
Class 5.2	Mechanic's Lien Claim of Sierra Cascade Construction or its assignee or successor against the Ritter Ranch Project owned by Palmdale Hills in the amount of \$550,677.	Palmdale Hills; Palmdale Hills 33
Class 5.3	Mechanic's Lien Claim of Staats Construction, Inc. or its assignee or successor against the Ritter Ranch Project owned by Palmdale Hills in the amount of \$166,105.	Palmdale Hills; Palmdale Hills 51
Class 5.4	Mechanic's Lien Claim of Southland Farmers, Inc. or its assignee or successor against the Ritter Ranch Project owned by Palmdale Hills in the amount of \$177,801.	Palmdale Hills; Palmdale Hills 55, 67 and 68
Class 5.5	Mechanic's Lien Claim of Pinnick, Inc. or its assignee or successor against the Ritter Ranch Project owned by Palmdale Hills in the amount of \$1,530,146.	Palmdale Hills; Palmdale Hills 62, 63 and 64
Class 5.6	Mechanic's Lien Claim of Chameleon Design Inc. or its assignee or successor against the Ritter Ranch Project owned by Palmdale Hills in the amount of \$73,600.	Palmdale Hills; Palmdale Hills 93, 99
Class 5.7	Mechanic's Lien Claim of Park West Landscape or its assignee or successor against the Ritter Ranch Project in the amount of \$27,624.70.	Palmdale Hills; Palmdale Hills 109
Class 5.8	Mechanic's Lien Claim of Hall & Foreman, Inc. or its assignee or successor against the Emerald Meadows Project in the amount of \$287,727.	SunCal Emerald; SunCal Emerald 13
Class 5.9	Mechanic's Lien Claim of Proactive Engineering or its assignee or successor against the Emerald Meadows Project in the amount of \$991,315.	SunCal Emerald; SunCal Emerald 15 and 16
Class 5.10	Mechanic's Lien Claim of HD Supply Construction or its assignee or successor against the Ritter Ranch Project owned by Palmdale Hills in the amount of \$14,893.	Palmdale Hills; Palmdale Hills 15
Class 5.11	Mechanic's Lien Claim of MHM Engineers or its assignee or successor against the Bickford Ranch Project in the amount of \$8,916.	SunCal Bickford; SunCal Bickford 5

CLASS 5: CLASSIFICATION OF ALLOWED MECHANIC'S LIEN CLAIMS	Class 5 is Unimpaired	Class 5 Claim Holders are Not Entitled to Vote
Class	Claims	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number)</u>
Class 5.12	Mechanic's Lien Claim of Land Architecture or its assignee or successor against the Bickford Ranch Project in the amount of \$100,245.	SunCal Bickford; SunCal Bickford 6
Class 5.13	Mechanic's Lien Claim of Kiewit Pacific Co. or its assignee or successor against the Bickford Ranch Project in the amount of \$1,868,357.	SunCal Bickford; SunCal Bickford 10
Class 5.14	Mechanic's Lien Claim of ARB, Inc. or its assignee or successor against the Bickford Ranch Project in the amount of \$1,052,272.	SunCal Bickford; SunCal Bickford 15
Class 5.15	Mechanic's Lien Claim of Independent Construction or its assignee or successor against the Bickford Ranch Project in the amount of \$117,209.	SunCal Bickford; SunCal Bickford 28
Class 5.16	Mechanic's Lien Claim of Marques Pipeline, Inc. or its assignee or successor against the Bickford Ranch Project in the amount of \$330,118.	SunCal Bickford; SunCal Bickford 29 and 30
Class 5.17	Mechanic's Lien Claim of Pacific Soils Engineering or its assignee or successor against the portion of the Summit Valley Project owned by Summit Valley in the amount of \$16,827.	SunCal Summit Valley; SunCal Summit Valley 9
Class 5.18	Mechanic's Lien Class of, or formerly of, Hertz Equipment Rental Corporation or its assignee or successor against the Delta Coves Project in the amount of \$25,444.	Delta Coves; Delta Coves 2
Class 5.19	Mechanic's Lien Claim of MBH Architects or its assignee or successor against the Delta Coves Project in the amount of \$97,091.	Delta Coves; Delta Coves 8
Class 5.20	Mechanic's Lien Claim of HD Supply Construction or its assignee or successor against the Heartland Project in the amount of \$47,675.	SunCal Heartland; SunCal Heartland 2
Class 5.21	Mechanic's Lien Claim of Pinnick, Inc. or its assignee or successor against the Heartland Project in the amount of \$563,159.	SunCal Heartland; SunCal Heartland 8
Class 5.22	Mechanic's Lien Claim of Dennis M. McCoy & Sons or its assignee or successor against the Heartland Project in the amount of \$941,960.	SunCal Heartland; SunCal Heartland 16
Class 5.23	Mechanic's Lien Claim of SunCal Marblehead by Trimax Systems, Inc. or its assignee or successor against the Marblehead Project in the amount of \$75,286.	SunCal Marblehead; SunCal Marblehead 3

CLASS 5: CLASSIFICATION OF ALLOWED MECHANIC'S LIEN CLAIMS	Class 5 is Unimpaired	Class 5 Claim Holders are Not Entitled to Vote
Class	Claims	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number)</u>
Class 5.24	Mechanic's Lien Claim of Butsko Utility Design, Inc. or its assignee or successor against the Marblehead Project in the amount of \$6,250.	SunCal Marblehead; SunCal Marblehead 4
Class 5.25	Mechanic's Lien Claim of Dennis RMF Contracting, Inc. or its assignee or successor against the Marblehead Project in the amount of \$264,749.	SunCal Marblehead; SunCal Marblehead 28
Class 5.26	Mechanic's Lien Claim of The Jasper Companies or its assignee or successor against the Marblehead Project in the amount of \$165,260.	SunCal Marblehead; SunCal Marblehead 29
Class 5.27	Mechanic's Lien Claim of Kirk Negrete, Inc. dba United Steel Placers or its assignee or successor against the Marblehead Project in the amount of \$270,056.	SunCal Marblehead; SunCal Marblehead 38
Class 5.28	Mechanic's Lien Claim of RBF Consulting or its assignee or successor against the Marblehead Project in the amount of \$7,096.	SunCal Marblehead; SunCal Marblehead 39
Class 5.29	Mechanic's Lien Claim of RJ Noble Co. or its assignee or successor against the Marblehead Project in the amount of \$175,030.	SunCal Marblehead; SunCal Marblehead 42, 50 and 58
Class 5.30	Mechanic's Lien Claim of Orange County Stripping Services or its assignee or successor against the Marblehead Project in the amount of \$4,400.	SunCal Marblehead; SunCal Marblehead 46 and 54
Class 5.31	Mechanic's Lien Claim of Savala Equipment Co. Inc. or its assignee or successor against the Marblehead Project in the amount of \$34,440.	SunCal Marblehead; SunCal Marblehead 48 and 56
Class 5.32	Mechanic's Lien Claim of Rockey Murata Landscaping or its assignee or successor against the Marblehead Project in the amount of \$285,643.	SunCal Marblehead; SunCal Marblehead 60
Class 5.33	Mechanic's Lien Claim of HD Supply Construction or its assignee or successor against the Oak Valley Project in the amount of \$52,806.	SunCal Oak Valley; SunCal Oak Valley 3
Class 5.34	Mechanic's Lien Claim of Pinnik Inc. or its assignee or successor against the Oak Valley Project in the amount of \$966,987.	SunCal Oak Valley; SunCal Oak Valley 12 and 14
Class 5.35	Mechanic's Lien Claim of Hillcrest Contracting Inc. or its assignee or successor against the Oak Valley Project in the amount of \$136,567.	SunCal Oak Valley; SunCal Oak Valley 23
Class 5.36	Mechanic's Lien Claim of MacKenzie Landscape or its assignee or successor against the Oak Valley Project in the amount of \$121,297.	SunCal Oak Valley; SunCal Oak Valley 25

CLASS 5: CLASSIFICATION OF ALLOWED MECHANIC'S LIEN CLAIMS	Class 5 is Unimpaired	Class 5 Claim Holders are Not Entitled to Vote
Class	Claims	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number)</u>
Class 5.37	Mechanic's Lien Claim of All American Asphalt or its assignee or successor against the Oak Valley Project in the amount of \$60,355.	SunCal Oak Valley; SunCal Oak Valley 26
Class 5.38	Mechanic's Lien Claim of Los Angeles Times or its assignee or successor against the Oak Valley Project in the amount of \$43,610.	SunCal Oak Valley; SunCal Oak Valley 31 and 32
Class 5.39	Mechanic's Lien Claim of Proactive Engineering or its assignee or successor against the Oak Valley Project in the amount of \$280,685.	SunCal Oak Valley; SunCal Oak Valley 35 and 36
Class 5.40	Mechanic's Lien Claim of Ateliers Jean Nouvel or its assignee or successor against the 10000 Santa Monica Project in the amount of \$1,110,000.	SunCal Century City; SunCal Century City 15
Class 5.41	Mechanic's Lien Claim of Englekirk & Sabol Construction Structure Engineering or its assignee or successor against the 10000 Santa Monica Project in the amount of \$324,520.	SunCal Century City SunCal Century City 12
Class 5.42	Mechanic's Lien Claim of Brudvik Inc. or its assignee or successor against the Palm Springs Village Project in the amount of \$43,365.	SunCal PSV; SunCal PSV 4
Class 5.43	Mechanic's Lien Claim of Larry Jacinto Construction Inc. or its assignee or successor against the Palm Springs Village Project in the amount of \$212,663.	SunCal PSV; SunCal PSV 5 and 24
Class 5.44	Mechanic's Lien Claim of William + Paddon Architects + Planners Inc. or its assignee or successor against the Palm Springs Village Project in the amount of \$73,798.	SunCal PSV; SunCal PSV 9 and 10
Class 5.45	Mechanic's Lien Claim of Southern California Edison or its assignee or successor against the Palm Springs Village Project in the amount of \$23,861.	SunCal PSV; SunCal PSV 26
Class 5.46	Mechanic's Lien Claim of Pacific Masonry Walls, Inc. or its assignee or successor against the Palm Springs Village Project in the amount of \$314,061.	SunCal PSV; SunCal PSV 33 and 39
Class 5.47	Mechanic's Lien Claim of J.R. Simplot Company or its assignee or successor against the Palm Springs Village Project in the amount of \$3,467.	SunCal PSV; SunCal PSV 34 and 40
Class 5.48	Mechanic's Lien Claim of Desert Pipeline Inc. or its assignee or successor against the Palm Springs Village Project in the amount of \$469,784.	SunCal PSV; SunCal PSV 36, 42 and 47
Class 5.49	Mechanic's Lien Claim of MSA Consulting or its assignee or successor against the Palm Springs Village Project in the amount of \$666,897.	SunCal PSV; SunCal PSV 43

CLASS 5: CLASSIFICATION OF ALLOWED MECHANIC'S LIEN CLAIMS		Class 5 is Unimpaired	Class 5 Claim Holders are Not Entitled to Vote
Class	Claims	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number)</u>	
Class 5.50	Mechanic's Lien Claim of Jackson DeMarco or its assignee or successor against the Palm Springs Village Project in the amount of \$52,234.	SunCal PSV; SunCal PSV 45	
Class 5.51	Mechanic's Lien Claim of Oliphant Gold, Inc. or its assignee or successor against the Oak Knoll Project in the amount of \$456,476.	SunCal Oak Knoll; SunCal Oak Knoll 46	
Class 5.52	Mechanic's Lien Claim of RGA Environmental, Inc. or its assignee or successor against the Oak Knoll Project in the amount of \$75,617.	SunCal Oak Knoll; SunCal Oak Knoll 1	
Class 5.53	Mechanic's Lien Claim of BKF Engineers or its assignee or successor against the Oak Knoll Project in the amount of \$308,817.	SunCal Oak Knoll; SunCal Oak Knoll 2 and 19	
Class 5.54	Mechanic's Lien Claim of CST Environmental Inc. or its assignee or successor against the Oak Knoll Project in the amount of \$4,316,169.	SunCal Oak Knoll; SunCal Oak Knoll 4 and 9	
Class 5.55	Mechanic's Lien Claim of The Professional Tree Care Co. or its assignee or successor against the Oak Knoll Project in the amount of \$93,925.01.	SunCal Oak Knoll; SunCal Oak Knoll 3	
Class 5.56	Mechanic's Lien Claim of Proactive Engineering or its assignee or successor against the Beaumont Heights Project in the amount of \$46,188.	SunCal Beaumont; SunCal Beaumont 11 and 12	
Class 5.57	Mechanic's Lien Claim of Park West Landscape or its assignee or successor against the "Del Rio Ranch Project" in the amount of \$148,266.10.	Del Rio; Del Rio 26	
CLASS 6: CLASSIFICATION OF ALLOWED PRIORITY CLAIMS		Class 6 is Unimpaired	Class 6 Claim Holders are Not Entitled to Vote
Class	Claims	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number)</u>	
Class 6.1	Priority Claims against SunCal Marblehead (alleged amount - \$10,950).	SunCal Marblehead; SunCal Marblehead Scheduled Amount and SunCal Marblehead 45	
Class 6.2	Priority Claims against SunCal Oak Knoll (alleged amount - \$235).	SunCal Oak Knoll; SunCal Oak Knoll 26	
Class 6.3	Priority Claims against Palmdale Hills (alleged amount - \$10,950).	Palmdale Hills; Palmdale Hills 70	
Class 6.4	Priority Claims against SJD Partners (alleged amount - \$4,188).	SJD Partners; SJD Partners Scheduled Amount and SJD	

		Partners 12	
CLASS 7: CLASSIFICATION OF ALLOWED GENERAL UNSECURED CLAIMS¹¹		Class 7 is Impaired	Class 7 Claim Holders are Entitled to Vote
Class	Claims	Plan Debtor	
Class 7.1	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman Commercial or its assignee or successor arising form the Ritter Ranch Loan Agreement in the Allowed Amount of \$244,352,096.31 less Cash Collateral)	Palmdale Hills	
Class 7.2	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman ALI or its assignee or successor arising form the Interim Loan Agreement in the Allowed Amount of \$19,295,012.59 less Cash Collateral)	Del Rio	
Class 7.3	General Unsecured Claims	SunCal Beaumont	
Class 7.4	General Unsecured Claims(including the Allowed General Unsecured Claim of Lehman Commercial or its assignee or successor arising from the SunCal Communities I Loan Agreement in the Allowed Amount of \$331,221,391.06 less Cash Collateral)	SunCal Emerald	
Class 7.5	General Unsecured Claims	SunCal Johannson	
Class 7.6	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman Commercial or its assignee or successor arising from the SunCal Communities I Loan Agreement in the Allowed Amount of \$341,021,391.06 less Cash Collateral)	SunCal Summit Valley	
Class 7.7	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman Commercial or its assignee or successor arising from the SunCal Communities I Loan Agreement in the Allowed Amount of \$336,421,391.06 less Cash Collateral)	Acton Estates	

¹¹ The General Unsecured Claims of the Lehman Creditors indicated below are calculated by deducting the applicable Lehman Creditor's Allowed Secured Claims under this Plan for the subject loan as against the subject Debtor from the total Allowed Claim thereof, provided that references to "Cash Collateral" in this table are references to the Cash Collateral as of the Effective Date for the applicable Lehman Creditor from the applicable Debtor (to be estimated for voting purposes in the amount set forth in Exhibit 1 to the Debtors' Third Amended Disclosure Statement and not to be deducted for more than one loan) and provided, further, that the Lehman Proponents shall be entitled to reasonably apportion any Cash Collateral in which multiple Plan Debtors' Estates may have interests.

CLASS 7: CLASSIFICATION OF ALLOWED GENERAL UNSECURED CLAIMS ¹¹	Class 7 is Impaired	Class 7 Claim Holders are Entitled to Vote
Class	Claims	Plan Debtor
Class 7.8	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman ALI or its assignee or successor arising from the Delta Coves Loan Agreement in the Allowed Amount of \$180,823,142.48 less Cash Collateral)	Delta Coves
Class 7.9	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman ALI or its assignee or successor arising from the SunCal Marblehead / SunCal Heartland Loan Agreement in the Allowed Amount of \$346,425,126.15 less Cash Collateral)	SunCal Heartland
Class 7.10	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman ALI or its assignee or successor arising from the SunCal Marblehead / SunCal Heartland Loan Agreement in the Allowed Amount of \$166,825,126.15 less Cash Collateral)	SunCal Marblehead
Class 7.11	General Unsecured Claims (including the Contingent Lehman ALI Claims Against SJD Partners Allowed as a General Unsecured Claim for Voting Purposes in the Amount of \$95,110,237 and the Amount of approximately \$28 million)	SJD Partners
Class 7.12	General Unsecured Claims	SunCal Century City
Class 7.13	General Unsecured Claims (including the Allowed General Unsecured Claim of Northlake Holdings or its assignee or successor arising from the Northlake Loan Agreement in the Allowed Amount of \$100,654,776.88 less Cash Collateral)	SunCal Northlake
Class 7.14	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman ALI or its assignee or successor arising from the SunCal Oak Knoll/SunCal Torrance Loan Agreement in the Allowed Amount of \$110,141,364.64 less Cash Collateral)	SunCal Oak Knoll
Class 7.15	General Unsecured Claims (including the Allowed General Unsecured Claim of OVC Holdings or its assignee or successor arising from the SunCal Oak Valley Loan Agreement in the Allowed Amount of \$120,730,091.63 less Cash Collateral)	SunCal Oak Valley

CLASS 7: CLASSIFICATION OF ALLOWED GENERAL UNSECURED CLAIMS¹¹	Class 7 is Impaired	Class 7 Claim Holders are Entitled to Vote
Class	Claims	Plan Debtor
Class 7.16	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman ALI or its assignee or successor arising from the SunCal PSV Loan Agreement in the Allowed Amount of \$74,457,340.20 less Cash Collateral)	SunCal PSV
Class 7.17	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman ALI or its assignee or successor arising from the SunCal Oak Knoll/SunCal Torrance Loan Agreement in the Allowed Amount of \$132,870,186.15 less Cash Collateral)	SunCal Torrance
Class 7.18	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman ALI or its assignee or successor arising from the Interim Loan Agreement in the Allowed Amount of \$22,595,012.59 less Cash Collateral)	SCC Communities
Class 7.19	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman ALI or its assignee or successor arising from the Interim Loan Agreement in the Allowed Amount of \$21,945,012.59 less Cash Collateral)	Tesoro
Class 7.20	General Unsecured Claims (including the Allowed General Unsecured Claims of: (a) Lehman Commercial or its assignee or successor arising from the SunCal Communities I Loan Agreement in the Allowed Amount of \$313,721,391.06 less Cash Collateral and (b) Lehman ALI or its assignee or successor arising from the Bickford Second Lien Loan Agreement in the Allowed Amount of \$56,494,059.38)	SunCal Bickford
Class 7.21	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman Commercial or its assignee or successor arising from the SunCal Communities I Loan Agreement in the Allowed Amount of \$343,221,391.06)	SunCal I
Class 7.22	General Unsecured Claims	Seven Brothers
Class 7.23	General Unsecured Claims	Kirby Estates
Class 7.24	General Unsecured Claims (including the Allowed General Unsecured Claim of Lehman Commercial or its assignee or successor arising from the SCC Palmdale Loan Agreement in the Allowed Amount of \$119,664,305.25)	SCC Palmdale

CLASS 7: CLASSIFICATION OF ALLOWED GENERAL UNSECURED CLAIMS¹¹	Class 7 is Impaired	Class 7 Claim Holders are Entitled to Vote
Class	Claims	Plan Debtor
CLASS 8: CLASSIFICATION OF ALLOWED ES CLAIMS	Class 8 is Impaired	Class 8 Claim Holders are Entitled to Vote
Class	Claims	<u>Plan Debtor and Basis for Claims</u>
Class 8.1	ES Claims	Palmdale Hills
Class 8.2	ES Claims	Del Rio - Various Filed and Scheduled
Class 8.3	ES Claims	SunCal Emerald - Various Filed and Scheduled
Class 8.4	ES Claims	SunCal Summit Valley - Various Filed and Scheduled
Class 8.5	ES Claims	Acton Estates - Various Filed and Scheduled
Class 8.6	ES Claims	Delta Coves - Various Filed and Scheduled
Class 8.7	ES Claims	SunCal Heartland - Various Filed and Scheduled
Class 8.8	ES Claims	SunCal Marblehead - Various Filed and Scheduled
Class 8.9	ES Claims	SJD Partners - Various Filed and Scheduled
Class 8.10	ES Claims	SunCal Northlake - Various Filed and Scheduled
Class 8.11	ES Claims	SunCal Oak Knoll - Various Filed and Scheduled
Class 8.12	ES Claims	SunCal Oak Valley - Various Filed and Scheduled
Class 8.13	ES Claims	SunCal PSV - Various Filed and Scheduled
Class 8.14	ES Claims	SunCal Torrance - Various Filed and Scheduled
Class 8.15	ES Claims	SCC Communities - Various Filed and Scheduled

CLASS 8: CLASSIFICATION OF ALLOWED ES CLAIMS			Class 8 is Impaired	Class 8 Claim Holders are Entitled to Vote
Class	Claims		<u>Plan Debtor and Basis for Claims</u>	
Class 8.16	ES Claims		Tesoro - Various Filed and Scheduled	
Class 8.17	ES Claims		SunCal Bickford - Various Filed and Scheduled	
Class 8.18	ES Claims		SunCal I	
Class 8.19	ES Claims		SCC Palmdale	
CLASS 9: CLASSIFICATION OF ALLOWED INTERESTS		Class 9 is Impaired	Class 9 Interest Holders are Deemed to Reject the Plan and are Not Entitled to Vote	
Class	Interests (and alleged Holders)		<u>Plan Debtor and Basis for Interests</u>	
Class 9.1	Interests in Palmdale Hills (of SCC Palmdale).		Palmdale Hills Scheduled	
Class 9.2	Interests in Del Rio (of SCC LLC).		Del Rio Scheduled	
Class 9.3	Interests in SunCal Beaumont (of SunCal I).		SunCal Beaumont Scheduled	
Class 9.4	Interests in SunCal Emerald (of SunCal I).		SunCal Emerald Scheduled	
Class 9.5	Interests in SunCal Johannson (of SunCal I).		SunCal Johannson Scheduled	
Class 9.6	Interests in SunCal Summit Valley (of SunCal I).		SunCal Summit Valley Scheduled	
Class 9.7	Interests in Acton Estates (of SunCal I).		Acton Estates Scheduled	
Class 9.8	Interests in Delta Coves (of Delta Coves Member LLC).		Delta Coves Scheduled	
Class 9.9	Interests in SunCal Heartland (of SunCal Marblehead Heartland Master LLC).		SunCal Heartland Scheduled	
Class 9.10	Interests in SunCal Marblehead (of SunCal Marblehead Heartland Master LLC).		SunCal Marblehead Scheduled	
Class 9.11	Interests in SJD Partners (of, <i>inter alia</i> , SJD Development).		SJD Partners Scheduled	
Class 9.12	Interests in SunCal Century City (of SunCal Century City Member LLC).		SunCal Century City Scheduled	

CLASS 9: CLASSIFICATION OF ALLOWED INTERESTS	Class 9 is Impaired	Class 9 Interest Holders are Deemed to Reject the Plan and are Not Entitled to Vote
Class	Interests (and alleged Holders)	<u>Plan Debtor and Basis for Interests</u>
Class 9.13	Interests in SunCal Northlake (of SCLV Northlake, LLC and SCC/Northlake, LLC).	SunCal Northlake Scheduled
Class 9.14	Interests in SunCal Oak Knoll (of Lehman SunCal Real Estate Holdings LLC).	SunCal Oak Knoll Scheduled
Class 9.15	Interests in SunCal Oak Valley (of SCLV Oak Valley LLC and SCC/Oak Valley, LLC).	SunCal Oak Valley Scheduled
Class 9.16	Interests in SunCal PSV (of Lehman SunCal PSV Holdings LLC).	SunCal PSV Scheduled
Class 9.17	Interests in SunCal Torrance (of Lehman SunCal Real Estate Holdings LLC).	SunCal Torrance Scheduled
Class 9.18	Interests in SCC Communities (of SCC LLC).	SCC Communities Scheduled
Class 9.19	Interests in Tesoro (of SCC LLC).	Tesoro Scheduled
Class 9.20	Interests in SunCal Bickford (of SunCal I).	SunCal Bickford Scheduled
Class 9.21	Interests in SunCal I (of SCC LLC).	SunCal I Scheduled
Class 9.22	Interests in Seven Brothers (of SunCal Summit Valley).	Seven Brothers Scheduled
Class 9.23	Interests in Kirby Estates (of SunCal Summit Valley).	Kirby Estates Scheduled
Class 9.24	Interests in SCC Palmdale (of SCC LLC).	SCC Palmdale Scheduled

7.6 Treatment Of Classified Claims And Interests

Any references in the Lehman Plan to Class 1, Class 2, Class 4, Class 5, Class 6, Class 7, Class 8 and Class 9 are summary references made for convenience only to the group of subclasses of each such Class (Classes 1.1 through 1.20, Classes 2.1 through 2.17, Classes 4.1 through 4.15, Classes 5.1 through 5.57, Classes 6.1 through 6.4, Classes 7.1 through 7.24, Classes 8.1 through 8.19 and Classes 9.1 through 9.24). Regardless of the treatment provided in the Lehman

Plan for any Holder of a Claim, the Holder may agree to accept less favorable treatment. Provisions for treatment below for Holders of Allowed Claims are not an indication that any particular Claim is Allowed unless expressly provided.

7.6.1 Treatment of Allowed Secured Real Property Tax Claims (Classes 1.1 through 1.20).

The treatment of any Allowed Secured Real Property Tax Claims in Classes 1.1 through 1.20 under the Lehman Plan is as follows:

(i) Classes 1.1 through 1.20 are unimpaired under the Plan, and each Holder of an Allowed Secured Real Property Tax Claim is not entitled to vote on the Plan;

(ii) As of the Effective Date, each Holder of an Allowed Secured Real Property Tax Claim shall retain its underlying Liens on the applicable real property collateral;

(iii) On or before the Effective Date, the Lehman Lenders, in consultation with the Committees and the anticipated Liquidating Trustee, as limited below, shall select, and the Liquidating Trustee shall implement, as necessary, unless the Holder of an Allowed Secured Real Property Tax Claim agrees to less favorable treatment, one of the following alternative treatments for each such Allowed Secured Real Property Tax Claim, which treatment shall be in full and final satisfaction, settlement, release, and discharge of, and exchange for each such Allowed Secured Real Property Tax Claim:

(a) Cash Payment.

On the Effective Date, the Liquidating Trustee (with the consent of the Lehman Lenders to the extent that payment would require utilization of Cash Collateral of any of the Lehman Creditors, which consent may be granted or denied in their sole discretion) will pay, to the Holder of such Allowed Secured Real Property Tax Claim, Cash equal to the amount of such Allowed Secured Real Property Tax Claim, or such lesser amount as to which the Holder of such Allowed Secured Real Property Tax Claim, the Liquidating Trustee and the Lehman Lenders agree; or

(b) Unimpairment.

(i) As of the Effective Date, the Holder of such Allowed Secured Real Property Tax Claim shall have left unaltered its legal, equitable and contractual rights as a Holder of such Allowed

1 Secured Real Property Tax Claim and shall be free to pursue its rights and remedies against the
2 underlying real property collateral under applicable nonbankruptcy law; and (ii) the Liquidating
3 Trustee shall File with the Bankruptcy Court and serve on the Holder notice of the selection of this
4 alternative treatment for such Holder.

5 **7.6.2 Treatment of Secured Claims with Respect to Lehman Loans (Classes 2.1**
6 **through 2.17).**

7
8 The treatment of Lehman Secured Claims (Classes 2.1 through 2.17) under the
9 Lehman Plan shall be as follows:

10 **(a) Voting.**

11 Classes 2.1 through 2.17 are impaired under the Plan, and each Holder of a Lehman
12 Secured Claim is entitled to vote on the Plan.

13 **(b) Liens.**

14 As of the Effective Date, each Holder of a Lehman Secured Claim shall retain its
15 underlying Liens on the applicable collateral. Thereafter, additional Liens may be granted or Liens
16 may be released all as set forth in Section 7.6.2 and Article IX of the Plan.

17 **(c) Claims.**

18 Subject to applicable provisions of the Lehman Plan, including Article IX of the Plan
19 (which provisions are designed to protect (a) ES Claimants as provided therein in the event of an ES
20 Final Judgment subordinating all or any part of certain Lehman Secured Claims to Allowed ES
21 Claims and (b) the Estates of Acton Estates, Tesoro and SCC Communities in the event of a Cross-
22 Collateralization Final Judgment), each Claim of a Lehman Creditor other than the Contingent
23 Lehman ALI Secured Claim Against SJD Partners shall be Allowed for voting and all other purposes
24 in the amount and with the status as a Secured Claim or General Unsecured Claim as set forth in the
25 classification tables in Section 7.5 above; provided that:

26 (i) as to any Lehman Secured Claim secured by collateral of the applicable
27 Lehman Creditor (other than Cash Collateral), which has been sold to a Successful Bidder in
28 accordance with the Lehman Plan Sale Procedures: (1) the amount of the Lehman Secured Claim

1 shall be adjusted to equal the sum of (x) any such Cash Collateral and (y) the amount bid by the
2 Successful Bidder for the non-Cash collateral; and (2) the applicable Allowed Class 7 Claim of the
3 applicable Lehman Creditor shall be adjusted accordingly;

4 (ii) as to all other Lehman Secured Claims (including the Contingent Lehman
5 ALI Secured Claim Against SJD Partners), upon disposition of all of the collateral therefor or upon a
6 valuation motion made by the Liquidating Trustee or the applicable Holder of any Lehman Secured
7 Claims after abandonment or surrender of the collateral therefor, the amount of the applicable
8 Lehman Secured Claim and any related deficiency shall be accordingly adjusted;

9 (iii) the Contingent Lehman ALI Secured Claim Against SJD Partners initially
10 shall be treated as a Disputed Claim for distribution purposes, but: (1) initially also shall be Allowed
11 for voting purposes as a Secured Claim in the amount of \$25 million and as General Unsecured
12 Claims in the amounts of \$95,110,237 and \$28 million, and (2) contingent upon the Pacific Point
13 Foreclosure being set aside, shall be Allowed as a Secured Claim in the amount of \$25 million and
14 as General Unsecured Claims in the amounts of \$95,110,237 and \$28 million for distribution and all
15 other purposes, subject to adjustment in accordance with clause (ii) of this proviso; and

16 (iv) the following Liens, *inter alia*, are deemed valid and preserved, in
17 accordance with that *Stipulation Valuing Certain Collateral and Preserving Certain Liens* Filed in the
18 Cases, for the benefit of the Lehman Creditors and any other holder of an interest in any of the Liens
19 for the sole purpose of allowing the Lehman Creditors and any other holder of any interest in any of
20 the Liens to enforce their rights to obtain any available distribution from the applicable Plan
21 Debtor's Estate prior to any distribution to holders of Interests in such applicable Plan Debtor, and,
22 thus, permitting, *inter alia*, the Contingent Bids set forth in Section 9.8(a) below of the Plan: (1)
23 Lehman Commercial's SunCal I Lien; (2) Lehman Commercial's SCC Palmdale Lien; and (3)
24 Lehman ALI's Bickford Second Lien.

25 (d) **Disposition of Collateral**

26 On the Effective Date, all Cash Collateral for a Lehman Secured Claim not used on
27 the Effective Date as permitted or required by the Lehman Plan shall be deposited into the Plan
28 Reserve (a reserve fund to be established by the Liquidating Trustee to hold the Ritter Cash, all Cash

Collateral of a Lehman Creditor held by a Plan Debtor, and any other Cash required or permitted to be deposited therein on the Effective Date pursuant to the terms of the Lehman Plan, all as more fully defined above). Certain of the Remaining Real Restate Projects shall be sold or conveyed pursuant to the Lehman Plan Sale Procedures (discussed below in Plan Section 9.8(a)). If a Project or other Asset of a Plan Debtor which is the collateral for a Lehman Secured Claim is transferred to one or more Lehman Nominees pursuant to the Lehman Plan Sale Procedures, any such Project so conveyed shall become a PRA Security Project subject to a PRA Recovery Deed of Trust as and to the extent described in Article IX of the Plan, which PRA Recovery Deed of Trust will be part of the PRA Recovery Security Pool and thus security for any ES Final Judgment, in accordance with this Plan. If a Project or other Asset of a Plan Debtor which is collateral for a Lehman Secured Claim is sold to a third party purchaser, the Net Cash Proceeds therefrom shall be remitted to the Liquidating Trustee who shall hold such Net Cash Proceeds in the Plan Reserve and any non-Cash Net Proceeds therefrom shall also be remitted to the Liquidating Trustee and the applicable Lehman Lender shall be afforded a substitute Lien on such non-Cash Net Proceeds. Any remaining collateral for a Lehman Secured Claim, which is not otherwise sold or conveyed pursuant to the Lehman Plan Sale Procedures may be retained, sold or abandoned by the Liquidating Trustee as provided under the Lehman Plan with the Net Cash Proceeds therefrom to be applied first to pay such Lehman Secured Claim and then to pay other Claims in accordance with the Lehman Plan, provided that (a) if no disposition of such collateral occurs within one (1) year after the Effective Date, the applicable Lehman Lender may enforce its Liens; and (b) if the Pacific Point Project is recovered by the Estate of SJD Partners and proposed to be sold, the applicable Lehman Creditor shall be entitled to credit bid up to the full amount of its unpaid Claim against SJD Partners.

(e) **Releases, Reconveyances, Assignments and Payments.**

(i) Upon Conclusion of the Project Related Actions (*i.e.*, the ES Action and any Cross-Collateralization Actions) in favor of the applicable Lehman Related Parties, consistent therewith, the Liquidating Trustee shall (1) release and reconvey to the applicable Lehman Nominees all PRA Recovery Deeds of Trust and terminate all Reconveyance Agreements, (2) pay the applicable Lehman Nominee the amount held in the Plan Reserve in respect of, and any other,

1 Net Cash Proceeds of the sale of the PRA Security Project previously owned by such Lehman
2 Nominee, (3) assign non-Cash Net Proceeds (including all substitute Liens and related, underlying
3 obligations) (x) from the sale of any PRA Security Project, to the applicable Lehman Nominee and
4 (y) from the sale of any collateral for a Lehman Secured Claim, to the applicable Holder of such
5 Lehman Secured Claim, (4) distribute to the applicable Holder of a Lehman Secured Claim any
6 remaining non-Cash collateral for such Claim, and (5) pay to the applicable Holder of a Lehman
7 Secured Claim, the amounts held in the Plan Reserve with respect to such Lehman Secured Claim
8 (including any Cash Collateral of such Holder that was deposited in the Plan Reserve) and any other
9 Net Cash Proceeds of the disposition of collateral for such Lehman Secured Claim, up to the amount
10 of the Lehman Secured Claim, with interest and fees in accordance with its contractual terms.
11 Thereupon, the Lehman Secured Claim shall be deemed satisfied by such payments and such
12 conveyances of collateral free and clear as set forth in Section 9.8(a).

13 (ii) Upon Conclusion of the Project Related Actions against the
14 applicable Lehman Related Parties, consistent therewith, the Liquidating Trustee, in satisfaction of
15 the Project Related Action Recoveries, shall distribute to the applicable Estates available Cash from
16 the Plan Reserve and shall liquidate and distribute to the applicable Estates the Net Proceeds from
17 the PRA Recovery Security Pool and non-Cash Net Proceeds from the sale of collateral for the
18 Lehman Secured Claims (which are the exclusive sources of satisfaction of a Project Related Action
19 Recovery absent a voluntary payment by a Lehman Related Party in accordance with Article IX of
20 the Plan), and upon satisfaction of the Project Related Action Recoveries, to the extent of any
21 remainder of such Cash or property, the Liquidating Trustee shall afford Lehman Secured Claims the
22 treatment described in the preceding subparagraph to this Section (e) of the Lehman Plan.

23 (iii) As more fully set forth in Article IX of the Plan, at any time
24 that the Plan Reserve contains an amount equal to the Maximum PRA Recovery Amount, the
25 Liquidating Trustee shall release and reconvey to the applicable Lehman Nominees all PRA
26 Recovery Deeds of Trust, terminate all Reconveyance Agreements and release to the applicable
27 Holders of Lehman Secured Claims and all Lehman Nominees all funds in the Plan Reserve in
28 excess of the Maximum PRA Recovery Amount.

1 **7.6.3 Treatment of Allowed Danske Bank Secured Claim (Class 3).**

2 The treatment of the Danske Secured Claim (Class 3) under the Lehman Plan shall be
3 as follows:

4 **(f) Voting.**

5 Class 3 is impaired under the Plan, and the Holder of the Allowed Danske Secured
6 Claim is entitled to vote on the Plan.

7 **(g) Liens.**

8 As of the Effective Date, the Holder of the Allowed Danske Secured Claim shall
9 retain its underlying Liens on the applicable collateral.

10 **(h) Claims.**

11 The Allowed Danske Secured Claim shall be Allowed for voting and all other
12 purposes as a Secured Claim in the amounts set forth in Article 7.5 above; provided that (i) any
13 deficiency shall be an Allowed Class 7 Claim in the appropriate subclass thereof; and (ii) upon
14 disposition of all of the collateral for such Allowed Danske Secured Claim or upon valuation motion
15 made by the Liquidating Trustee or the Holder of such Allowed Danske Secured Claim after
16 abandonment or surrender of such collateral, the amount of the Allowed Danske Secured Claim and
17 any related deficiency shall be accordingly adjusted.

18 **(i) Disposition of Collateral and Means Therefor**

19 The Allowed Danske Secured Claim shall receive either the following treatment or
20 such less favorable treatment to which its Holder consents:

21 On the Effective Date, all Cash Collateral for the Allowed Danske Secured Claim
22 shall be turned over to the Holder of the Allowed Danske Secured Claim in respect of such Claim,
23 unless the Holder agrees to permit the Liquidating Trustee to retain or use any portion thereof.

24 The Liquidating Trustee shall market for sale and sell the non-Cash collateral for the
25 Allowed Danske Secured Claim, if any, including the 10000 Santa Monica Project, if not previously
26 sold or conveyed from the Estate of SunCal Century City, or abandon all or any of such collateral
27 upon motion to the Bankruptcy Court. The collateral, together with all associated personal property,
28 shall be sold free and clear of Encumbrances other than Permitted Liens for Cash, or on such other

terms to which the Holder of the Allowed Danske Secured Claim consents. The Holder of the Allowed Danske Secured Claim shall receive at least thirty (30) days' prior notice of any proposed sale. The Holder of the Allowed Danske Secured Claim may elect to credit bid in response to such notice up to the full amount of the Allowed Danske Secured Claim (without the amount bid being limited to the value of the interest of the Holder of the Allowed Danske Secured Claim in such collateral).

If the collateral for the Allowed Danske Secured Claim is sold to a third party purchaser, promptly upon receipt thereof by the Liquidating Trustee, there shall be turned over or paid to the Holder of the Allowed Danske Secured Claim up to the full amount of the Allowed Danske Secured Claim from any non-Cash Net Proceeds therefrom and from the Net Cash Proceeds remaining after payment, (a) first, of SunCal Century City's Pro Rata share of the Lehman Post-Confirmation Funding, (b) second, payment of SunCal Century City's direct Post-Confirmation Expenses and its Pro Rata share of unpaid Post-Confirmation Expenses commonly allocable among it and other Plan Debtors, and (c) third, any post-Confirmation Date intercompany payables. Any remaining Net Cash Proceeds thereafter shall be used to pay other obligations of the applicable Debtor in the priorities set forth in Section 9.10(c) of the Plan. If no disposition of such collateral occurs within one (1) year after the Effective Date, the Holder of the Allowed Danske Secured Claim may enforce its Liens. The Holder of the Allowed Danske Secured Claim may advance funds to the Liquidating Trustee for the protection of its collateral or administration of the Estate of SunCal Century City on such terms as the Holder of the Allowed Danske Secured Claim and Liquidating Trustee agree.

7.6.4 Treatment of Other Secured Claims (Classes 4.1 Through 4.15).

The treatment of any Allowed Other Secured Claims in Classes 4.1 through 4.15 under the Lehman Plan shall be as follows:

- (i) Classes 4.1 through 4.15 are unimpaired under the Plan, and each Holder of an Allowed Secured Claim in Classes 4.1 through 4.15 is not entitled to vote on the Plan;
- (ii) As of the Effective Date, each Holder of an Allowed Other Secured Claim in

Classes 4.1 through 4.15 shall retain its underlying Liens on the applicable collateral;

(iii) On or before the Effective Date, the Lehman Lenders, in consultation with the Committees and anticipated Liquidating Trustee, as limited below, shall select and the Liquidating Trustee shall implement, as necessary, unless the Holder of an Allowed Other Secured Claim in Classes 4.1 through 4.15 agrees to less favorable treatment, one of the following alternative treatments for each such Allowed Other Secured Claim in Classes 4.1 through 4.15, which treatment shall be in full and final satisfaction, settlement, release, and discharge of, and exchange for each such Allowed Secured Claim in Classes 4.1 through 4.15:

(j) **Abandonment or Surrender.** On the Effective Date, the Liquidating Trustee will abandon or surrender to the Holder of such Allowed Other Secured Claim in Classes 4.1 through 4.15 the property securing such Allowed Other Secured Claim in Classes 4.1 through 4.15 as of the Effective Date;

(k) **Cash Payment.** On the Effective Date, the Liquidating Trustee (with the consent of the Lehman Lenders to the extent that payment would require utilization of Cash Collateral of any of the Lehman Creditors, which consent may be granted or denied in their sole discretion) will pay, to the Holder of such Allowed Other Secured Claim in Classes 4.1 through 4.15, Cash equal to the amount of such Allowed Other Secured Claim in Classes 4.1 through 4.15, or such lesser amount as to which the Holder of such Allowed Other Secured Claim in Classes 4.1 through 4.15, the Liquidating Trustee and the Lehman Lenders agree; or

(l) **Unimpairment.** (i) As of the Effective Date, the Holder of such Allowed Other Secured Claim in Classes 4.1 through 4.15 shall have left unaltered its legal, equitable and contractual rights as a Holder of such Allowed Other Secured Claim in Classes 4.1 through 4.15 and shall be free to pursue its rights and remedies against the underlying collateral under applicable nonbankruptcy law; and (ii) the Liquidating Trustee shall File with the Bankruptcy Court and serve on the Holder of each Allowed Other Secured Claim in Classes 4.1 through 4.15 for which this treatment is selected, notice of the selection of this alternative treatment for such Holder.

7.6.5 Treatment of Allowed Secured Mechanic's Lien Claims Against the Plan Debtors (Classes 5.1 Through 5.57).

The treatment of any Allowed Secured Mechanic's Lien Claims in Classes 5.1 through 5.57 under the Lehman Plan shall be as follows:

(i) Classes 5.1 through 5.57 are unimpaired under the Plan, and each Holder of an Allowed Secured Mechanic's Lien Claim in Classes 5.1 through 5.57 is not entitled to vote on the Plan;

(ii) As of the Effective Date, each Holder of an Allowed Secured Mechanic's Lien Claim in Classes 5.1 through 5.57 shall retain its underlying Liens on the applicable collateral;

(iii) On or before the Effective Date, the Lehman Lenders, in consultation with the Committees and the anticipated Liquidating Trustee, as limited below, shall select, and the Liquidating Trustee shall implement, as necessary, unless the Holder of an Allowed Secured Mechanic's Lien Claim in Classes 5.1 through 5.57 agrees to less favorable treatment, one of the following alternative treatments for each such Allowed Secured Mechanic's Lien Claim in Classes 5.1 through 5.57, which treatment shall be in full and final satisfaction, settlement, release, and discharge of, and exchange for each such Allowed Secured Mechanic's Lien Claim in Classes 5.1 through 5.57:

(m) **Abandonment or Surrender.** On the Effective Date, the Liquidating Trustee will abandon or surrender to the Holder of such Allowed Secured Mechanic's Lien Claim in Classes 5.1 through 5.57 the property securing such Allowed Secured Claim as of the Effective Date;

(n) **Cash Payment.** On the Effective Date, the Liquidating Trustee (with the consent of the Lehman Lenders to the extent that payment would require utilization of Cash Collateral of any of the Lehman Creditors, which consent may be granted or denied in their sole discretion) will pay, to the Holder of such Allowed Secured Mechanic's Lien Claim in Classes 5.1 through 5.57, Cash equal to the amount of such Allowed Secured Mechanic's Lien Claim in Classes 5.1 through 5.57, or such lesser amount as to which the Holder of such Allowed Secured Mechanic's Lien Claim in Classes 5.1 through 5.57, the Liquidating Trustee and the Lehman Lenders agree; or

(o) **Unimpairment.** (i) As of the Effective Date, the Holder of such Allowed Secured Mechanic's Lien Claim in Classes 5.1 through 5.57 shall have left unaltered its

1 legal, equitable and contractual rights as a Holder of such Allowed Secured Mechanic's Lien Claim
2 in Classes 5.1 through 5.57 and shall be free to pursue its rights and remedies against the underlying
3 collateral under applicable nonbankruptcy law; and (ii) the Liquidating Trustee shall File with the
4 Bankruptcy Court and serve on the Holder of each Allowed Secured Mechanic's Lien Claim in
5 Classes 5.1 through 5.57 for which this treatment was selected, notice of the selection of this
6 alternative treatment for such Holder.

7 **7.6.6 Treatment of Priority Claims (Classes 6.1 Through 6.4).**

8 The treatment of any Allowed Priority Claims in Classes 6.1 through 6.4 under the
9 Lehman Plan shall be as follows:

10 (a) Classes 6.1 through 6.4 are unimpaired under the Plan, and each Holder of an
11 Allowed Priority Claim is not entitled to vote on the Plan.

12 (b) Each Holder of an Allowed Priority Claim shall be paid (i) the full amount of
13 such Allowed Priority Claim in Cash on the later of (x) the Effective Date, (y) the date such Claim
14 becomes an Allowed Priority Claim or (z) the date such Allowed Priority Claim becomes payable in
15 accordance with the terms governing such Allowed Priority Claim, or (ii) upon such other less
16 favorable terms as may be agreed to by such Holder of the Allowed Priority Claim and the
17 Liquidating Trustee.

18 **7.6.7 Treatment of Allowed General Unsecured Claims (Classes 7.1 Through**
19 **7.24).**

20 The treatment of any Allowed General Unsecured Claims in Classes 7.1 through 7.24
21 under the Lehman Plan shall be as follows:

22 (a) Classes 7.1 through 7.24 are impaired under the Plan, and each Holder of an
23 Allowed General Unsecured Claim is entitled to vote on the Plan;

24 (b) As soon as reasonably practicable in the sole discretion of the Liquidating
25 Trustee, the Liquidating Trustee shall distribute the Residual Cash (defined above) in each Estate
26 Pro Rata to the Holders of Allowed General Unsecured Claims in Classes 7.1 through 7.24, as
27 applicable, and Allowed ES Claims in Classes 8.1 through 8.19, as applicable;

28 (c) Upon Conclusion of the ES Action, if the Credit Bid Conditions are satisfied,

1 the Guaranteed Minimum Distribution will be calculated (*i.e.*, \$10 million less the amount of any ES
2 Final Judgments and less the amount –which cannot exceed \$5 million – that is one-third of the
3 aggregate ES Pro Rata Settlement Payments) and, thereafter, the Liquidating Trustee shall distribute
4 the Guaranteed Minimum Distribution Pro Rata to those Holders of Allowed General Unsecured
5 Claims (other than those in Class 7.12 – Allowed General Unsecured Claims against SunCal Century
6 City) and Allowed Non-Settled ES Claims who provide the Lehman Lenders a duly executed
7 Minimum Distribution Release and Assignment. The Lehman Lenders (and each Lehman
8 Successor, unless it timely objects to Plan Confirmation) will not share in the Guaranteed Minimum
9 Distribution, all as more fully set forth in Plan Section 7.3. If payment of the distribution in
10 accordance with this paragraph with respect to a Claim otherwise would result or contribute to such
11 Claim being paid in excess of the full amount of the Claim, any such excess shall be redistributed
12 Pro Rata to other Holders of Claims entitled to distributions in accordance with this paragraph.

13 The treatment provided in the Lehman Plan for Claims in Classes 7.1 through 7.24
14 does not take into account and shall not affect any subordination or other intercreditor remedies
15 afforded by any ES Final Judgment, contract, other judgment or other binding determination.

16 **7.6.8 Treatment of Allowed ES Claims (Classes 8.1 through 8.19).**

17 The treatment of any Allowed ES Claims in Classes 8.1 through 8.19 under the
18 Lehman Plan shall be as follows:

19 (a) Classes 8.1 through 8.19 are impaired under the Plan, and each Holder of an
20 Allowed ES Claim is entitled to vote on the Plan;

21 (b) As soon as reasonably practicable in the sole discretion of the Liquidating
22 Trustee, the Liquidating Trustee shall distribute the Residual Cash in each Estate Pro Rata to the
23 Holders of Allowed General Unsecured Claims in Classes 7.1 through 7.24, as applicable, and
24 Allowed ES Claims in Classes 8.1 through 8.19, as applicable (subject to the terms of any ES
25 Claimant Release and Assignment and any Minimum Distribution Release and Assignment with
26 respect to Claims against a Lehman Releasee);

27 (c) Each Holder of an Allowed ES Claim also shall receive either:

28 (i) if the Holder of an Allowed ES Claim votes to accept the ES

1 Settlement Offer (or if there is Estate Acceptance of the ES Settlement for the Estate against which
2 the Allowed ES Claim is asserted) and the Holder returns with its Ballot or to the Lehman Lenders a
3 duly executed ES Claimant Release and Assignment, an ES Pro Rata Settlement Payment to be paid
4 as soon as reasonably practicable after the later of: (1) the Effective Date; and (2) final allowance of
5 such Allowed ES Claim; or

6 (ii) if the Holder of an Allowed ES Claim does not vote to accept the ES
7 Settlement Offer (and there is not Estate Acceptance of the ES Settlement for the Estate against
8 which the Allowed ES Claim is asserted):

9 (1) the benefits, if any, of the Equitable Subordination Claims
10 as determined by the Bankruptcy Court in connection with the ES Action, upon Conclusion of the
11 Equitable Subordination Claims in the ES Action against the applicable Lehman Related Parties, if
12 any, such that (A) the Liquidating Trustee, in satisfaction of an ES Final Judgment and to the extent
13 consistent therewith (I) shall distribute to the applicable Estate available Cash from the Plan
14 Reserve, other than amounts reserved for the Guaranteed Minimum Distribution and (II) shall
15 liquidate and distribute to the applicable Estate Net Cash Proceeds from the PRA Recovery Security
16 Pool and from the liquidation of any non-Cash Net Proceeds from the sale of collateral of the
17 Holders of Lehman Secured Claims or the sale of any PRA Security Project (which distributions
18 described in this subparagraph, collectively, are the exclusive sources of satisfaction of an ES
19 Judgment absent a voluntary payment by a Lehman Related Party in accordance with Article VII of
20 the Plan); and (B) the Liquidating Trustee shall pay such Cash in accordance with the priorities set
21 forth in this Plan (see Plan Sections 7.11.2(a) and 7.11.2(d)); and

22 (2) Upon Conclusion of the ES Action, if the Credit Bid
23 Conditions are satisfied, the Guaranteed Minimum Distribution will be calculated (i.e., \$10 million
24 less the amount of any ES Final Judgments and less the amount –which cannot exceed \$5 million –
25 that is one-third of the aggregate ES Pro Rata Settlement Payments) and, thereafter, the Liquidating
26 Trustee shall distribute the Guaranteed Minimum Distribution Pro Rata to those holders of Allowed
27 General Unsecured Claims (other than those in Class 7.12 – Allowed General Unsecured Claims
28 against SunCal Century City) and Allowed Non-Settled ES Claims who provide the Lehman

Lenders a duly executed Minimum Distribution Release and Assignment. The Lehman Lenders (and each Lehman Successor, unless it timely objects to Plan Confirmation) will not share in the Guaranteed Minimum Distribution, all as more fully set forth in Plan Section 7.3. If payment of the distribution in accordance with this paragraph with respect to a Claim otherwise would result or contribute to such Claim being paid in excess of the full amount of the Claim, any such excess shall be redistributed Pro Rata to other Holders of Claims entitled to distributions in accordance with this paragraph.

7.6.9 Treatment of Holders of Allowed Interests (Classes 9.1 through 9.24)

The treatment of Allowed Interests in Classes 9.1 through 9.24 under the Lehman Plan shall be as follows:

(a) Classes 9.1 through 9.24 are impaired under the Plan, and each Holder of an Allowed Interest is deemed to reject the Plan and is not entitled to vote; and

(b) On the Effective Date, all such Allowed Interests shall be cancelled.

VIII.

ACCEPTANCE OR REJECTION OF THE LEHMAN PLAN

8.1 Introduction.

PERSONS OR ENTITIES CONCERNED WITH CONFIRMATION OF THE PLAN SHOULD CONSULT WITH THEIR OWN ATTORNEYS BECAUSE THE LAW ON CONFIRMING A PLAN OF REORGANIZATION IS VERY COMPLEX. The following discussion is intended solely for the purpose of alerting readers about basic confirmation issues, which they may wish to consider, as well as certain deadlines for filing Claims. The Lehman Proponents cannot represent that the discussion contained below is a complete summary of the law on this topic.

Many requirements must be met before the Bankruptcy Court can confirm the Lehman Plan. Some of the requirements include that the Lehman Plan must (a) be proposed in good faith, (b) be accepted in accordance with the provisions of the Bankruptcy Code, (c) pay creditors at least as much as creditors would receive in a Chapter 7 liquidation and (d) be feasible. The requirements described in the Lehman Plan are not the only requirements for confirmation.

1 **8.2 Who May Object to Confirmation of the Lehman Plan.**

2 Any party in interest may object to the confirmation of the Lehman Plan, but as
3 explained below not everyone is entitled to vote to accept or reject the Lehman Plan.

4 **8.3 Who May Vote to Accept/Reject the Lehman Plan and Special Provisions**
5 **for Listed Holders of Mechanic's Lien Claims and for Holders of ES Claims**
6 **or General Unsecured Claims.**

7 A Holder of a Claim or Interest has a right to vote for or against the Lehman Plan if
8 that Holder of the Claim or Interest has a Claim which is both (1) Allowed or Allowed for voting
9 purposes and (2) Classified in an impaired Class.

10 Because Classes 5.1 through 5.57 are unimpaired, any Holders of Allowed
11 Mechanic's Lien Claims are deemed to accept the Plan. The Lehman Proponents, however, dispute
12 the "secured" status of all, many or most of the Claims classified in Classes 5.1 to 5.57 because they
13 believe that there are senior Liens of Lehman Creditors and no value in the junior Liens of the
14 Holders of Mechanic's Lien Claims. Thus, each listed Holder of a Mechanic's Lien Claim will be
15 provided a Ballot on which such Holder may elect to vote its Claims as a General Unsecured Claim
16 or an ES Claim, as applicable, in which event the Holder will have to waive contentions that its
17 interest in the collateral securing its Claim has any value and thus will have to waive contentions that
18 it holds a Secured Claim against the applicable Project.

19 To vote any Claim as an ES Claim (Class 8), a Creditor must mark its Ballot to
20 indicate that it holds an ES Claim. A Creditor voting a Claim as an ES Claim (Class 8) may vote for
21 (or against) the Plan whether or not it votes to accept the ES Settlement Offer.

22
23 **8.4 What Is an Allowed Claim/Interest.**

24 As noted above, a Holder of Claim or Interest must first have an Allowed Claim or
25 Allowed Interest to vote.

26 **8.5 What Is an Impaired Class.**

27 A Class is impaired if the Lehman Plan alters the legal, equitable, or contractual rights
28 of the Claims or Interests in that Class, other than the right to accelerate the Claim upon certain

1 kinds of defaults. Under the Lehman Plan, Classes 1, 4, 5 and 6 are unimpaired and Classes 2, 3, 7, 8
2 and 9 are impaired.

3 **8.6 Who Is Not Entitled to Vote.**

4 The following four types of Claims are not entitled to vote: (1) Claims that have been
5 disallowed; (2) Claims in unimpaired Classes; (3) Claims that, pursuant to Bankruptcy Code
6 Sections 507(a)(2), (a)(3) or (a)(8), are entitled to priority, and (4) Claims in Classes that do not
7 receive or retain any value under the Plan. Claims in unimpaired Classes are not entitled to vote
8 because such Classes are deemed to have accepted the Plan. Claims entitled to priority pursuant to
9 Bankruptcy Code Section 507(a)(2), (3) or (8) are not entitled to vote because such Claims are not
10 placed in Classes and they are required to receive certain treatment specified by the Bankruptcy
11 Code. Claims in Classes that do not receive or retain any property under the Plan do not vote
12 because such Classes are deemed to have rejected the Plan. The Lehman Proponents believe that (a)
13 Classes 1, 4, 5 and 6 are unimpaired and thus are not entitled to vote because they are conclusively
14 deemed to have accepted the Plan; (b) Class 9 Interests are being cancelled under the Plan and
15 nothing is to be paid to their Holders and accordingly these Holders are deemed to have voted to
16 reject the Plan and also are not entitled to vote; and (c) Classes 2, 3, 7 and 8 are impaired and are
17 entitled to vote.

18 EVEN IF A CLAIM IS OF THE TYPE DESCRIBED ABOVE, A CREDITOR MAY
19 STILL HAVE A RIGHT TO OBJECT TO THE CONFIRMATION OF THE PLAN.

20 **8.7 Who Can Vote in More than One Class.**

21 A creditor whose Claim has been Allowed in part as a Secured Claim and in part as
22 an Unsecured Claim is entitled to accept or reject a Plan in both capacities by casting one Ballot for
23 the secured part of the Claim and another Ballot for the Unsecured Claim. Also, a Creditor may
24 otherwise hold Claims in more than one Class (such as a Holder of General Unsecured Claims and
25 ES Claims), and may vote the Claims held in each Class.

26 **8.8 Votes Necessary for a Class to Accept the Lehman Plan.**

27 A Class of Claims is deemed to have accepted the Lehman Plan when more than one-
28 half (1/2) in number and at least two-thirds (2/3) in dollar amount of the Claims *that actually voted*,

1 vote to accept the Lehman Plan. A Class of interests is deemed to have accepted the Lehman Plan
2 when Holders of at least two-thirds (2/3) in amount of the interest-Holders of such Class which
3 actually vote, vote to accept the Lehman Plan.

4 **8.9 Treatment of Nonaccepting Classes.**

5 As noted above, even if there are impaired Classes that do not accept the proposed
6 Plan, the Court may nonetheless confirm the Lehman Plan if the non-accepting Classes are treated in
7 the manner required by the Bankruptcy Code and at least one impaired Class of Claims accepts the
8 Lehman Plan. The process by which a plan may be confirmed and become binding on non-accepting
9 Classes is commonly referred to as “cramdown.” The Bankruptcy Code allows the Lehman Plan to
10 be “crammed down” on non-accepting Classes of Claims or Interests if it meets all statutory
11 requirements except the voting requirements of 1129(a)(8) and if the Lehman Plan does not
12 “discriminate unfairly” and is “fair and equitable” with respect to each impaired Class that has not
13 voted to accept the Lehman Plan, as set forth in 11 U.S.C. § 1129(b) and applicable case law.

14 **8.10 Request for Confirmation Despite Nonacceptance by Impaired Class(es).**

15 The Lehman Proponents will ask the Bankruptcy Court to confirm the Lehman Plan
16 by cramdown on any impaired Class if such Class does not vote to accept the Lehman Plan.

17 **IX.**

18 **MEANS OF EXECUTION AND IMPLEMENTATION OF THE LEHMAN PLAN**

19 **9.1 Introduction.**

20 This section is intended to address how the Lehman Lenders intend to fund and to
21 have implemented the obligations to Creditors under the Lehman Plan. It thus provides information
22 regarding funding sources and mechanisms for the Plan obligations, management of the Plan
23 Debtors’ Estates after the Effective Date and other material issues bearing upon the performance of
24 the Lehman Plan.

25 **9.2 The Liquidating Trustee.**

26 The Estate of each Plan Debtor shall be managed after the Effective Date by the
27 Liquidating Trustee, who, except as otherwise provided in the Lehman Plan, shall oversee and
28 effectuate the liquidation of the Remaining Other Assets, oversee and effectuate the sale and transfer

1 or other disposition or liquidation of the Remaining Real Estate Projects and implement the Plan.
2 The Liquidating Trustee shall be appointed by the Court upon nomination, if any, by a Committee
3 and, in his or her capacity as such, shall be an agent of each Estate and not a separate taxable entity
4 therefrom. Compensation of the Liquidating Trustee shall be reasonable hourly compensation
5 payable from the Plan Debtors' Estates after prior notice to, *inter alia*, the Lehman Lenders,
6 Committee members, and U.S. Trustee and after order of the Bankruptcy Court. The Bankruptcy
7 Court may, by order, replace the Liquidating Trustee in its reasonable discretion. After the Effective
8 Date, the Liquidating Trustee, *inter alia*, will cooperate in granting, perfecting or reflecting
9 perfection of any Liens acknowledged or created or provided for under the Plan, will complete the
10 claims process, will resolve or abandon any objections to Claims, will liquidate and/or distribute
11 assets and will resolve or dismiss any Litigation Claims which are not waived in the Plan, all in
12 accordance with the Plan.

13 **9.3 The Guaranteed Minimum Distribution Will be Held in the Plan Reserve**
14 **to Assure a Minimum Amount for Creditors without Security or Priority.**

15 On the Effective Date, the Lehman Lenders will pay the Liquidating Trustee \$10
16 million from new Cash transfers (rather than from existing Cash Collateral) to be held in the Plan
17 Reserve for the Guaranteed Minimum Distribution. Upon Conclusion of the ES Action, if the Credit
18 Bid Conditions are satisfied, the Guaranteed Minimum Distribution will be calculated (*i.e.*, \$10
19 million less the amount of any ES Final Judgments and less the amount –which cannot exceed \$5
20 million – that is one-third of the aggregate ES Pro Rata Settlement Payments). Thereafter, the
21 Liquidating Trustee shall distribute the Guaranteed Minimum Distribution Pro Rata to those holders
22 of Allowed General Unsecured Claims and Allowed Non-Settled ES Claims who provide the
23 Lehman Lenders a duly executed Minimum Distribution Release and Assignment. The Lehman
24 Lenders (and each Lehman Successor, unless it timely objects to Plan Confirmation) will not share
25 in the Guaranteed Minimum Distribution.

26 As and to the extent reflected in the definition of “Guaranteed Minimum
27 Distribution,” the payment of ES Pro Rata Settlement Payments and entry of an ES Final Judgment
28 each result in a reduction in the Guaranteed Minimum Distribution. Simultaneously with the

1 payment of any ES Pro Rata Settlement Payments, the Liquidating Trustee shall return to the
2 Lehman Lenders or their designee from the Plan Reserve one-third ($1/3^{\text{rd}}$) of the amount of such ES
3 Pro Rata Settlement Payments (not to exceed the remaining amount on reserve for the Guaranteed
4 Minimum Distribution). Additionally, upon entry of each and any ES Final Judgment (each or any
5 of which, under the Plan, are secured by the PRA Recovery Security Pool), one hundred percent
6 (100%) of the amount of such ES Final Judgment (not to exceed the remaining amount on reserve
7 for the Guaranteed Minimum Distribution), at the election of the Lehman Lenders, either shall: (1)
8 be applied by the Liquidating Trustee to such ES Final Judgment or (2) be returned from the Plan
9 Reserve by the Liquidating Trustee to the Lehman Lenders or their designee.

10 As to the process for obtaining delivery of ES Claimant Releases and Assignments,
11 the Liquidating Trustee shall be entitled to utilize the following procedure, which the Liquidating
12 Trustee may modify with the consent of the Lehman Lenders, which they may grant or withhold in
13 their sole and absolute discretion:

14 (1) within sixty (60) days after (x) Conclusion of the ES Action, if there are no
15 ES Final Judgments or (y) collection and/or enforcement with respect to all ES Final Judgments is
16 completed, if there are any ES Final Judgments, the Liquidating Trustee shall afford notice to
17 Creditors potentially entitled to a Pro Rata distribution of the Guaranteed Minimum Distribution that
18 they have sixty (60) days to return to the Liquidating Trustee a duly executed Minimum Distribution
19 Release and Assignment;

20 (2) within ten (10) days after expiration of the time for Creditors to return to
21 the Liquidating Trustee a duly executed Minimum Distribution Release and Assignment, the
22 Liquidating Trustee shall deliver to the appropriate Lehman Creditor, or as they direct, the original
23 of each such Minimum Distribution Release and Assignment;

24 (3) within ten (10) days after the time for delivery to the Lehman Creditors of
25 each original, returned Minimum Distribution Release and Assignment, the Lehman Creditors shall
26 advise the Liquidating Trustee of any issues with respect to the form or propriety of the execution or
27 delivery of any such Minimum Distribution Release and Assignment;

28 (4) within ten (10) days after expiration of the time for objection to the

1 execution or delivery of any returned Minimum Distribution Release and Assignment, the
2 Liquidating Trustee shall:

3 (I) allocate the Guaranteed Minimum Distribution Pro Rata among
4 each Holder of an Allowed Non-Settled ES Claim and Allowed General Unsecured Claim; and

5 (II) pay to each Holder of an Allowed Non-Settled ES Claim and
6 Allowed General Unsecured Claim who timely returned a duly executed Minimum Distribution
7 Release and Assignment their aliquot share of the Guaranteed Minimum Distribution; and

8 (III) simultaneously with payment to each Holder of an Allowed
9 Non-Settled ES Claim and Allowed General Unsecured Claim who returned a duly executed
10 Minimum Distribution Release and Assignment of its aliquot share of the Guaranteed Minimum
11 Distribution, pay to the applicable Lehman Creditors, or as they direct, the aliquot shares of the
12 Guaranteed Minimum Distribution which otherwise would have been payable to the Holders of
13 Allowed Non-Settled ES Claims and Allowed General Unsecured Claims who failed to timely return
14 a Minimum Distribution Release and Assignment.

15 In exchange for the commitment of the Lehman Lenders under the Lehman Plan to
16 make available funding for the Guaranteed Minimum Distribution from new Cash transfers to the
17 Liquidating Trustee on the Effective Date, each Non-Settling ES Claimant holding an Allowed ES
18 Claim and each Holder of an Allowed General Unsecured Claim desiring to share in the Guaranteed
19 Minimum Distribution shall (a) unconditionally, irrevocably and generally release, acquit and
20 forever discharge, waive and relinquish any and all causes of action, actions, rights of action, suits,
21 judgments, liens, indebtedness, damages, losses, claims, liabilities, obligations, attorneys' fees, costs,
22 expenses and demands of every kind and character, whether known or unknown, suspected or
23 unsuspected, disclosed or undisclosed, including without limitation any Litigation Claims, whether
24 for damages, subordination or other remedies, and including any and any objections or defenses to
25 Lehman Related Party's Claims, Liens, rights, or causes of action, to the extent related to the Claims
26 of the releasing Person or these Cases, Debtors or their Projects or to the extent that the Net Cash
27 Litigation Recoveries therefrom would be payable in respect of the Claims of such releasing Person
28 (collectively, the "Minimum Distribution Released Claims"), from and against all Lehman Releasees

1 and all and any owners of the applicable Project(s) (that were at any time owned by the Plan Debtor
2 of the Estate against which the applicable Allowed ES Claim or Allowed General Unsecured Claim
3 is asserted), including the Lehman Nominees, which owners are or were successors or assigns of the
4 applicable Debtor, or any of them, and their subsidiaries and their respective officers, directors,
5 employees, agents, predecessors, successors, assigns, representatives, attorneys and other
6 professionals, or their properties, and (b) to the extent such Minimum Distribution Released Claims
7 are owned by the Estate of a Plan Debtor and cannot be released by the releasing Person, assign to
8 the applicable Lehman Lender (or if multiple applicable Lehman Lenders, the Lehman Lender
9 holding the most senior Lien against the applicable Estate's Project), all rights, benefits and interests
10 of the releasing Person with respect to such Minimum Distribution Released Claims, including the
11 Litigation Recoveries that otherwise would be due therefrom to, or attributable to the Claims of, the
12 releasing Person.

13 The releases given above include an express, informed, knowing and voluntary
14 waiver and relinquishment to the fullest extent permitted by law of rights under Section 1542 of the
15 California Civil Code, which reads as follows, and under any similar or comparable laws anywhere
16 in the world:

17 A general release does not extend to claims which the creditor does not know or
18 suspect to exist in his favor at the time of executing the release, which if known by him must have
19 materially affected his settlement with the debtor.

20 While the Confirmation Order, without more, shall effectuate the release, waiver and
21 relinquishment described or referenced in this section for the Lehman Releasees and all successor
22 owners of the specified Projects, in accordance herewith, the Lehman Releasees also shall be entitled
23 to the issuance of a separate written release, waiver and relinquishment by the releasing Person in a
24 form determined by the Lehman Lenders and reasonably consistent herewith.

25 **9.4 Vesting of Assets in Plan Debtors' Estates Managed by Liquidating Trustee.**

26 Except as otherwise provided in the Lehman Plan or any agreement, instrument or
27 other document relating hereto, on and after the Effective Date, all property of each Plan Debtor's
28 Estate shall vest in each respective Estate, free and clear of all Liens. Except as may be provided in

1 the Lehman Plan, on and after the Effective Date, the Liquidating Trustee may operate the business
2 of each Estate and may use, acquire or dispose of property and compromise or settle any Claims or
3 Interests without supervision or approval by the Bankruptcy Court and free of any restrictions of the
4 Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan
5 and the Confirmation Order. On motion to the Bankruptcy Court and consent of the Lehman
6 Lenders, the Liquidating Trustee may elect hereafter to abandon to the Plan Debtors Assets of
7 inconsequential value.

8 **9.5 The Committee(s).**

9 On the Effective Date, the Voluntary Debtors' Committee and the Trustee Debtors'
10 Committee shall continue to serve the applicable Estates of the Plan Debtors and shall be entitled to
11 retain, employ and compensate Professionals in order to assist with the obligations and rights of the
12 Committees under the terms of the Lehman Plan (with compensation to be paid by the Liquidating
13 Trustee from the Post-Confirmation Account(s)), provided that the duties of the Committee(s) after
14 the Effective Date shall be limited to monitoring the Plan's implementation. The Liquidating
15 Trustee shall reimburse members of the Committee without further Court Order required for their
16 reasonable out-of-pocket expenses incurred after the Effective Date for mileage, parking, or other
17 incidentals incurred in performing their duties as members of the Committee.

18 **9.6 Lehman Post-Confirmation Loans.**

19 **9.6.1 Amount and Uses of Lehman Post-Confirmation Loans.**

20 On and after the Effective Date, the Lehman Lenders, or certain of them as described
21 in the Lehman Plan, will make funding available to the Liquidating Trustee, in addition to the \$10
22 million for the reserve for the Guaranteed Minimum Distribution, from either (or both) loans made
23 by or on behalf of a Lehman Related Party (of up to a maximum of \$5 million) in the form of new
24 Cash transfers or by permitting the use of Cash Collateral of a Lehman Creditor, including, without
25 limitation, all or a portion of the Ritter Cash (estimated to be at least \$18.87 million), for the
26 following purposes and in the following amounts, provided that the proceeds of Lehman Post-
27 Confirmation Funding may not be utilized to pay any Lehman Post-Confirmation Expenses:

- 28 (a) Allowed Professional Fees of the insolvency counsels for the Trustee and the

1 Committees, provided that Available Cash from the Post-Confirmation Account(s) has been
2 exhausted (and with any such use of Cash of one Plan Debtor's Estate for another booked as a Post-
3 Confirmation Date intercompany payable by the borrowing Plan Debtor's Estate);

4 (b) Satisfaction of Allowed Priority Claims , provided that Available Cash from
5 the Post-Confirmation Account(s) has been exhausted (and applied as set forth in clause (a) of this
6 Section);

7 (c) Funding for or relating to the ES Litigation Expenses solely from proceeds
8 from the ES Litigation Loan;

9 (d) All amounts required to address critical and urgent health and safety issues on
10 the Projects (other than 10000 Santa Monica Project) until the expiration of the earlier of (i) the date
11 that such Project is no longer an Asset belonging to an Estate of a Plan Debtor, or (ii) thirty (30)
12 days following the auction of such Project to occur pursuant to the Lehman Plan Sale Procedures, up
13 to the aggregate amount of \$400,000 or such other amount as approved by the Bankruptcy Court on
14 notice (including to the Lehman Lenders) and opportunity to object, provided that Available Cash
15 from the Post-Confirmation Account(s) has been exhausted (and applied as set forth in clause (a) of
16 this Section);

17 (e) Satisfaction of the Lehman Administrative Loans (provided that (i) Available
18 Cash from the Post-Confirmation Account(s) has been exhausted (and applied as set forth in clause
19 (a) of this Section), and (ii) the Lehman Lenders may elect prior to receipt of payment thereupon to
20 defer receipt thereof and be paid otherwise as provided in the Lehman Plan for such Lehman
21 Administrative Loans);

22
23 (f) Obligations with respect to the Remaining Real Estate Projects while owned
24 by the Estates that are Administrative Claims or arise after the Confirmation Date, to the extent
25 requested by the Lehman Lenders holding or representing the Holder of an interest in the subject
26 Project and in their sole and absolute discretion, including any property taxes, assessments,
27 liabilities, obligations, claims or payables that would be superior to the interest of any Lehman
28 Creditor holding a Secured Claim in any Remaining Real Estate Project, provided that Available

Cash from the Post-Confirmation Account(s) has been exhausted (and applied as set forth in clause (a) of this Section), which obligations are to be paid by the Liquidating Trustee if so directed by the Lehman Lenders;

(g) Obligations with respect to the PRA Security Projects that are part of the PRA Recovery Security Pool and therefore serve as collateral for a Project Related Action Recovery to the extent requested by the Lehman Lenders or Lehman Nominee holding an interest in the subject Project and in their sole and absolute discretion, including any property taxes, assessments, liabilities, obligations, claims or payables that would be superior to the interest of any Lehman Creditor holding a Secured Claim in any Remaining Real Estate Project, which obligations are to be paid by the Liquidating Trustee if so directed by the Lehman Lenders; provided, however, that repayment of Lehman Post-Confirmation Funding made for a purpose set forth in this subparagraph shall be limited in recourse to an offset against any ES Judgment; and

(h) To the extent that the Liquidating Trustee is unable to otherwise fund them, all additional obligations of the Liquidating Trustee (in such capacity) that arise on or after the Effective Date to the extent that both their incurrence is necessary for implementation of the Lehman Plan and they become due and payable in Cash during the term of the Lehman Post-Confirmation Funding other than and excluding those obligations covered in any portion by insurance or for which obtaining insurance would have been reasonable, appropriate and customary, provided that Available Cash from the Post-Confirmation Account(s) has been exhausted (and applied as set forth in clause (a) of this Section).

9.6.2 Cash Collateral of a Lehman Creditor.

Cash Collateral of Lehman Creditors shall be available as funding (i) to the Liquidating Trustee and Plan Debtors' Estates as and to the extent set forth in the preceding numbered Section of the Plan and (ii) for payment of the ES Pro Rata Settlement Payments. At any time, the Liquidating Trustee, as directed by a Lehman Lender, shall use Cash Collateral of the Lehman Creditors to repay Lehman Post-Confirmation Funding that was made other than from the use of Cash Collateral.

Also, upon disposition of collateral of a Lehman Creditor or of a PRA Security

1 Project that results in proceeds being deposited to the Plan Reserve, or upon turnover of Cash
2 Collateral to the Plan Reserve, a Lien in favor of the applicable Lehman Creditor shall attach to (or
3 remain upon) such proceeds and/or Cash Collateral held in the Plan Reserve, subject to a Conclusion
4 of the Project Related Actions.

5 Further, at the election of a Lehman Lender and to facilitate its extension of credit
6 under the Plan, as to any payment that could be made with funds comprising Cash Collateral of a
7 Lehman Creditor, the Lehman Lender may direct the Liquidating Trustee to instead use Lehman
8 Post-Confirmation Funding in the form of a loan from new Cash from a Lehman Lender and to pay a
9 like amount of Cash Collateral securing a Lehman Loan towards a reduction of such Lehman Loan,
10 as the Lehman Lender directs, provided, however, that (a) such use of Cash Collateral shall not itself
11 be Lehman Post-Confirmation Funding and, if such use occurs before maturity of the Lehman Post-
12 Confirmation Funding, the \$5 million maximum Cash commitment of the Lehman Lenders with
13 respect to the Lehman Post-Confirmation Funding shall increase by the amount of Cash Collateral so
14 used to pay a Lehman Loan; and (b) repayment of any amount of a loan constituting Lehman Post-
15 Confirmation Funding used to substitute for Cash Collateral paid with respect to a Lehman Loan
16 under this paragraph shall be treated as a repayment or replenishment of Cash Collateral.

17 **9.6.3 Terms and Documentation of Lehman Post-Confirmation Loans.**

18 The Liquidating Trustee shall reasonably execute all documents reasonably requested
19 by a Lehman Lender to evidence a loan or use of Cash Collateral constituting Lehman Post-
20 Confirmation Funding and to evidence any Liens securing the loans or replacement Liens for the use
21 of Cash Collateral on terms and in a form reasonably requested by such Lehman Lender, with
22 customary and reasonable provisions for interest, fees and expenses thereupon. Loans constituting
23 Lehman Post-Confirmation Funding are Allowed in the amount provided to the Liquidating Trustee
24 or for the benefit of an Estate by or on behalf of any Lehman Lender with respect thereto plus
25 interest, fees, expenses and other charges as provided in the Lehman Plan and in the documentation
26 thereof.

27 The Liquidating Trustee shall repay the Lehman Post-Confirmation Funding from the
28 sources and in the priority otherwise set forth in this Plan. (See Plan Section 0). Such repayments

1 first shall be applied to repay any loans constituting Lehman Post-Confirmation Funding and all
2 amounts owed with respect thereto. Thereafter, such repayments shall be used to replenish the Cash
3 Collateral constituting Lehman Post-Confirmation Funding. These obligations of the Liquidating
4 Trustee to repay the Lehman Post-Confirmation Funding shall be secured by a self-effectuating, first
5 priority Lien and/or replacement Lien on the Post-Confirmation Accounts, Plan Reserve and all
6 proceeds of the Plan Debtors' Assets.

7 In all events, no later than sixty (60) days following the settlement and/or final
8 determination of the Project Related Actions, the obligation of the Lehman Lenders to provide the
9 Lehman Post-Confirmation Funding shall terminate, the Lehman Post-Confirmation Funding shall
10 mature and the Liquidating Trustee shall pay the loans and all amounts owing with respect thereto
11 and replenish the used Cash Collateral constituting Lehman Post-Confirmation Funding in full.

12 Because the Lehman Creditors' Claims all are undersecured, permitting use of Cash
13 Collateral for Lehman Post-Confirmation Funding, in effect, is a voluntary subordination of the
14 Lehman Lenders' Claims to the extent of such use of Cash Collateral, at least absent any obligation
15 to replenish the used Cash Collateral. Thus, to the extent that any applicable Lehman Creditor's
16 Claim that was secured by a Lien upon Cash Collateral used hereunder as Lehman Post-
17 Confirmation Funding is hereafter subordinated by an ES Final Judgment, such ES Final Judgment
18 shall be offset, dollar for dollar, by the amount of any such used Cash Collateral constituting
19 Lehman Post-Confirmation Funding and the obligation of the Estates to replenish such Cash
20 Collateral instead shall become an obligation to pay such amounts to the Plan Reserve as ES
21 Litigation Proceeds for the Creditors and Estates benefitted by such ES Final Judgment in
22 accordance therewith and such funds, when available, shall be distributed as ES Litigation Proceeds
23 in accordance with the priorities established by the Lehman Plan.

24 **9.7 Plan Reserve and Post-Confirmation Accounts.**

25 In order to, among other things, provide for a source of recovery in respect of Non-
26 Settled ES Claims should an ES Judgment be obtained for the benefit of the Holders of such Non-
27 Settled ES Claims, and in respect of the applicable Estates and their Creditors should a Cross-
28 Collateralization Judgment be obtained for the benefit of such Creditors, the Lehman Lenders are

1 making available Cash on which the Lehman Creditors claim a Lien. Specifically, (a) on the
2 Effective Date, all Cash of the Estates of the Plan Debtors not otherwise distributed in accordance
3 with the Plan shall be held by the Liquidating Trustee either in the Plan Reserve or a Post-
4 Confirmation Account pending payment of any Post-Confirmation Expenses or distribution in
5 accordance with the Plan, (b) on and after the Effective Date, all Cash Collateral of the Lehman
6 Creditors shall be deposited by the Liquidating Trustee into the Plan Reserve, pending distribution or
7 payment in accordance with the Plan, (c) on the Effective Date, the Lehman Lenders shall cause \$10
8 million to be paid to the Liquidating Trustee from new Cash transfers (rather than from existing
9 Cash Collateral) to be held in the Plan Reserve as a reserve for the Guaranteed Minimum
10 Distribution, (d) all new Cash transfers from or on behalf of a Lehman Lender that are proceeds of or
11 comprising a loan constituting Lehman Post-Confirmation Funding shall be deposited in or held in
12 the Plan Reserve until utilized in accordance with the Lehman Plan, and (e) on and after the
13 Effective Date, the Lehman Lenders shall have a Lien and/or retain their Lien on all Cash in the Plan
14 Reserve, which Cash also shall serve, among other things, as a reserve for satisfaction of a Project
15 Related Action Recovery and shall be a component of the PRA Recovery Security Pool. The
16 applicable Lehman Creditor shall report the Cash Collateral, while held in the Plan Reserve, as being
17 owned by it for all applicable federal, state and local income tax purposes. To enable the applicable
18 Lehman Creditor to pay its applicable federal, state and local income tax with respect to amounts in
19 the Plan Reserve, the Liquidating Trustee shall distribute to the applicable Lehman Creditor, or
20 cause to be distributed, forty five percent (45%) of all income and gain earned with respect to
21 amounts in the Plan Reserve no less than annually and prior to any such amounts being otherwise
22 distributed pursuant to the Plan.

23 **9.8 Disposition of Assets**

24 The Assets of the Estates of the Plan Debtors consist primarily of certain Remaining
25 Real Estate Projects and certain Cash that is Cash Collateral for Lehman Secured Claims. There also
26 may be certain Remaining Other Assets, including Litigation Claims. (Litigation Claims possibly
27 could result in affirmative recoveries for the Estates or possibly could reduce the size of the Creditor
28 Claims to share in available Cash for distribution.)

9.8.1. Litigation Claims, Net Cash Litigation Recoveries and Remaining

Other Assets.

The Remaining Other Assets (other than Cash) shall be liquidated by the Liquidating Trustee, and the Net Cash Proceeds therefrom shall be available for payment of Claims and Creditors in accordance with the Plan. Pursuant to Section 1123(b)(3) of the Bankruptcy Code and subject to the compromises, waivers and releases provided in the Lehman Plan, the Liquidating Trustee shall retain all Litigation Claims whether or not pending on the Effective Date. Unless a Litigation Claim is expressly waived, relinquished, released, compromised or settled in the Lehman Plan or in a Final Order, all rights with respect to such Litigation Claims are reserved and the Liquidating Trustee may pursue such Litigation Claims. The Liquidating Trustee shall not settle or abandon a Litigation Claim valued at greater than \$100,000 without a Lehman Lender's consent and absent providing ten (10) days' prior written notice and opportunity to object to the Committees; and the Lehman Lenders may pursue any Litigation Claim for the applicable Estate or Estates that, upon request, the Trustee does not agree to pursue. Any disputes concerning the settlement or abandonment of a Litigation Claim shall be submitted to the Bankruptcy Court for resolution on no less than ten (10) days' notice to the objecting party. All Net Cash Litigation Recoveries realized or obtained in respect of Litigation Claims of the Estates shall be promptly deposited into the Post-Confirmation Account(s) or Plan Reserve, as appropriate. Except as otherwise provided in the Lehman Plan and the Confirmation Order, the Net Cash Litigation Recoveries shall be free and clear of all Liens and shall only be expended in accordance with the provisions of the Lehman Plan.

9.8.2 Disposition of the Remaining Real Estate Projects.

The disposition of the Remaining Real Estate Projects or related Assets shall be as follows:

(a) Lehman Plan Sale Procedures.

(i) Upon the Effective Date, the Liquidating Trustee shall market for sale the Remaining Real Estate Projects and related Assets pursuant hereto.

(ii) Within sixty (60) days after the Effective Date, the Liquidating Trustee shall hold auctions on such dates and at such times and places as is reasonably established by the Liquidating Trustee, provided that all auctions shall occur no later than sixty (60) days after the Effective Date. At the auctions, the Remaining Real Estate Projects and related Assets for which there is a Successful Bidder shall be sold or conveyed to a third party purchaser, a Lehman Nominee, or another Holder of an Allowed Secured Claim who submits a qualifying bid and becomes the Successful Bidder in accordance herewith and pursuant to the further detailed procedures for such bidding and auctions, which detailed procedures shall be in a form acceptable to the Lehman Creditors and Liquidating Trustee or as reasonably proposed by the Lehman Lenders and approved by the Bankruptcy Court at or after the hearing on confirmation of the Plan, as may be modified after the Confirmation Date by agreement of the applicable Lehman Lenders or other owners and the Liquidating Trustee or approval of the Bankruptcy Court (the “Detailed Sale Procedures”).

(iii) Pursuant to Bankruptcy Code Section 1123(a) and the Lehman Plan, at the auction of each Remaining Real Estate Project, such Remaining Real Estate Project and all associated personal property, including the applicable Plan Debtor’s Estate’s right, title and interest in, to and under any development agreements, plans, engineering reports and community facilities district bonds, shall be sold by virtue of the Confirmation Order to the highest bidder or its nominee free and clear of any Encumbrances (other than the Permitted Liens) with such Encumbrances (other than the Permitted Liens) not paid in connection with the transaction to attach to the consideration to be received by the Liquidating Trustee in the same priority and subject to the same defenses and avoidability, if any, as before the closing of the transaction. The Liquidating Trustee shall obtain a hearing date from the Bankruptcy Court at which the Bankruptcy Court shall issue an Order approving such sales or conveyances to the extent consistent herewith and order that such sale or conveyance shall be free and clear of all Encumbrances (other than Permitted Liens) in accordance herewith. Consistent with each particular bid, debts and obligations secured by existing Encumbrances on said Remaining Real Estate Projects or related property at the time of sale or

conveyance either shall be paid in full upon such sale or conveyance, attach to the Net Cash Proceeds with the same validity, priority and extent to which they attach to the underlying collateral (such as would occur with respect to the Lehman Secured Claims upon a sale to a third party purchaser) or be unimpaired in which case the Remaining Real Estate Projects or other assets sold or conveyed shall remain encumbered by the Encumbrances thereon securing the unimpaired debts and obligations and such Encumbrances would be Permitted Liens.

Subject to the terms of the Lehman Plan, the respective Lehman Creditors commit to credit bid the following "Initial Bids" at the auctions as to the indicated Assets and may elect hereafter to make the following "Contingent Bids" at the auctions with respect to the indicated Assets as set forth in the following table:

LEHMAN CREDITORS' INITIAL BIDS AND CONTINGENT BIDS

<u>Initial Bid #; Cont. Bid Letter</u>	<u>Class / Plan §</u>	<u>Claims</u>	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number).</u>	<u>Asset</u>	<u>Bid</u>
1	Class 2.2	Allowed Claim of Lehman Commercial or its assignee or successor against SunCal Emerald arising from the SunCal Communities I Loan Agreement in the Allowed Amount of \$343,221,391.06 and as an Allowed Secured Claim in the amount of \$12 million plus Cash Collateral	SunCal Emerald; SunCal Emerald: 7	Emerald Meadows Project	Initial Bid: \$12 Million

<u>Initial Bid #; Cont. Bid Letter</u>	<u>Class / Plan §</u>	<u>Claims</u>	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number).</u>	<u>Asset</u>	<u>Bid</u>
2	Class 2.3	Allowed Claim of Lehman Commercial or its assignee or successor against SunCal Bickford arising from the SunCal Communities I Loan Agreement in the Allowed Amount of \$343,221,391.06 and as an Allowed Secured Claim in the amount of \$29.5 million plus Cash Collateral	SunCal Bickford; SunCal Bickford: 16	Bickford Ranch Project	Initial Bid: \$29.5 Million
3	Class 2.5	Allowed Claim of Lehman Commercial or its assignee or successor against Palmdale Hills arising form the Ritter Ranch Loan Agreement in the Allowed Amount of \$287,252,096.31 and as an Allowed Secured Claim in the amount of \$42.9 million plus Cash Collateral	Palmdale Hills; Palmdale Hills 65	Ritter Ranch Project	Initial Bid: \$42.9 Million
4	Class 2.9	Allowed Claim of Lehman ALI or its assignee or successor against SunCal Oak Knoll arising from the SunCal Oak Knoll/SunCal Torrance Loan Agreement in the Allowed Amount of \$158,141,364.64 and as an Allowed Secured Claim in the amount of \$48 million plus Cash Collateral	SunCal Oak Knoll; SunCal Oak Knoll: 12	Oak Knoll Project	Initial Bid: \$48 Million

<u>Initial Bid #; Cont. Bid Letter</u>	<u>Class / Plan §</u>	<u>Claims</u>	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number).</u>	<u>Asset</u>	<u>Bid</u>
5	Class 2.10	Allowed Claim of Lehman ALI or its assignee or successor against SunCal Torrance arising from the SunCal Oak Knoll/SunCal Torrance Agreement in the Allowed Amount of \$157,870,186.15 and as an Allowed Secured Claim in the amount of \$25 million plus Cash Collateral	SunCal Torrance; SunCal Torrance: 4	Del Amo Project	Initial Bid: \$25 Million
6	Class 2.11	Allowed Claim of Lehman ALI or its assignee or successor against Delta Coves arising from the Delta Coves Loan Agreement in the Allowed Amount of \$206,023,142.48 and as an Allowed Secured Claim in the amount of \$25.2 million plus Cash Collateral	Delta Coves; Delta Coves 21	Delta Coves Project	Initial Bid: \$25.2 Million
7	Class 2.13	Allowed Claim of Lehman ALI or its assignee or successor against SunCal Heartland arising from the SunCal Marblehead / SunCal Heartland Loan Agreement in the Allowed Amount of \$354,325,126.15 and as an Allowed Secured Claim in the amount of \$187.5 million plus Cash Collateral	SunCal Heartland; SunCal Heartland: 9	Marble-head Project	Initial Bid: \$187.5 Million

<u>Initial Bid #; Cont. Bid Letter</u>	<u>Class / Plan §</u>	<u>Claims</u>	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number).</u>	<u>Asset</u>	<u>Bid</u>
8	Class 2.12	Allowed Claim of Lehman ALI against SunCal Marblehead arising from the SunCal Marblehead / SunCal Heartland Loan Agreement in the Allowed Amount of \$354,325,126.15 and as an Allowed Secured Claim in the amount of \$7.9 million plus Cash Collateral	SunCal Marblehead; SunCal Marblehead: 21	Heart-land Project	Initial Bid: \$7.9 Million
9	Class 2.14	Allowed Claim of OVC Holdings or its assignee or successor against SunCal Oak Valley arising from the SunCal Oak Valley Loan Agreement in the Allowed Amount of \$141,630,091.63 and as an Allowed Secured Claim in the amount of \$20.9 million plus Cash Collateral	SunCal Oak Valley; SunCal Oak Valley 16	Oak Valley Project	Initial Bid: \$20.9 Million
10	Class 2.15	Allowed Claim of Northlake Holdings or its assignee or successor against SunCal Northlake arising from the Northlake Loan Agreement in the Allowed Amount of \$123,654,776.88 and as an Allowed Secured Claim in the amount of \$23 million plus Cash Collateral	SunCal Northlake; SunCal Northlake 6	North-lake Project	Initial Bid: \$23 Million
11	Class 2.16	Allowed Claim of Lehman ALI or its assignee or successor arising from the SunCal PSV Loan Agreement in the Allowed Amount of \$88,257,340.20 and as an Allowed Secured Claim in the amount of \$13.8 million plus Cash Collateral	SunCal PSV; SunCal PSV 12	Palm Springs Village Project	Initial Bid: \$13.8 Million

<u>Initial Bid #; Cont. Bid Letter</u>	<u>Class / Plan §</u>	<u>Claims</u>	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number).</u>	<u>Asset</u>	<u>Bid</u>
A	Plan § 7.6(c) / Class 7.21	Lehman Commercial's SunCal I Lien & Allowed General Unsecured Claim of Lehman Commercial or its assignee or successor arising from the SunCal Communities I Loan Agreement in the Allowed Amount of \$343,221,391.06	SunCal I; SunCal I: 1	SunCal Beau- mont's Beau- mont Heights Project	Con- tingent Bid: \$1.2 Million
				SunCal Johann- son's Johann- son Ranch Project	Con- tingent Bid: \$2.1 Million
				SunCal Summit Valley's Summit Valley Project	Con- tingent Bid: \$750,00 0
B	Class 2.1	Allowed Claim of Lehman Commercial or its assignee or successor against Acton Estates arising from the SunCal Communities I Loan Agreement in the Allowed Amount of \$343,221,391.06 and as an Allowed Secured Claim in the amount of \$6.8 million plus Cash Collateral	Acton Estates; Acton Estates: 6	Acton Project	Con- tingent Bid: \$3.4 Million

<u>Initial Bid #; Cont. Bid Letter</u>	<u>Class / Plan §</u>	<u>Claims</u>	<u>Plan Debtor and Basis for Claim (i.e., Scheduled Amount or Case in Which Proof Filed and Number).</u>	<u>Asset</u>	<u>Bid</u>
C	Class 2.4	Allowed Claim of Lehman Commercial or its assignee or successor against SunCal Summit Valley arising from SunCal Communities I Loan Agreement in the Allowed Amount of \$343,221,391.06 and as an Allowed Secured Claim in the amount of \$2.2 million plus Cash Collateral	SunCal Summit Valley; SunCal Summit Valley: 12	Ownership Interests of Kirby Estates and Seven Brothers in Summit Valley Project	Contingent Bid: \$1.075 Million
D	Class 2.6	Allowed Claim of Lehman ALI or its assignee or successor against SCC Communities, arising from the Interim Loan Agreement in the Allowed Amount of \$23,795,012.59 and as an Allowed Secured Claim in the amount of \$1.2 million plus Cash Collateral	SCC Communities; SCC Communities: 9	Joshua Ridge Project	Contingent Bid: \$1 Million
E	Class 2.8	Allowed Claim of Lehman ALI or its assignee or successor against Tesoro rising from the Interim Loan in the Allowed Amount of \$23,795,012.59 and as an Allowed Secured Claim in the amount of \$1.85 million plus Cash Collateral	Tesoro; Tesoro: 7	Tesoro Project	Contingent Bid: \$1.5 Million

(iv) Qualifying bids by third party purchasers must be bids for payment in Cash. Other Holders of Allowed Secured Claims may credit bid such amount of their Allowed Secured Claims as agreed with the Liquidating Trustee or fixed by the Bankruptcy Court, in each case on a Project by Project basis. The bids of such other Holders of Allowed Secured Claims and third party purchasers must comply with and be made consistent with the Detailed Sale Procedures.

1 If a qualifying bid or bids are received for any Project within forty-five (45) days after the Effective
2 Date, such bids shall be Filed with the Bankruptcy Court by the Liquidating Trustee.

3 (v) The Initial Bids and, if made by any Lehman Creditor (and subject to
4 the following), the Contingent Bids, and any increased bids thereof by Lehman Creditors up to the
5 outstanding amount of the applicable Lehman Loans as set forth in Article 7.5 of the Lehman Plan,
6 each shall be deemed fully qualifying and eligible bids for all purposes of such auctions and the
7 Detailed Sale Procedures. If no higher and better bid is made by another Holder of an Allowed
8 Secured Claim or third party purchaser in accordance with the Detailed Sale Procedures, the
9 applicable Lehman Creditor shall be the Successful Bidder and the Liquidating Trustee shall convey
10 the subject Project and related Assets to a Lehman Nominee in accordance herewith. The Lehman
11 Nominee shall report the subject Project and related Assets as being owned by it for all applicable
12 federal, state and local income tax purposes. If there is no Successful Bidder with respect to an
13 Asset, the Liquidating Trustee need not sell or convey it pursuant to the Lehman Plan Sale
14 Procedures.

15 (vi) The Initial Bids are in the amount of the Lehman Creditors' previously
16 appraised values for the subject Projects. The Contingent Bids are in the amounts of the Debtors'
17 value estimates as set forth in the Debtors' Third Amended Disclosure Statement. The Contingent
18 Bids relate to Assets as to which either (1) the Debtors have alleged that the Lien of the applicable
19 Lehman Lender is subject to a Cross-Collateralization Claim or (2) a Lehman Lender holds a Lien
20 on the equity interest in the owner of the Project for a limited purpose, but not directly upon the
21 Project itself and holds a General Unsecured Claim against the Holder of the equity interests in the
22 Project.

23 (vii) The Lehman Creditors Initial Bids and Contingent Bids represent bids
24 on Assets associated with all of the Projects currently owned by the Debtors other than the 10000
25 Santa Monica Project, owned by SunCal Century City; provided that the Initial Bids and Contingent
26 Bids do not include parcels within the Summit Valley Project and Beaumont Heights Project as to
27 which there are Secured Claims in Class 4 of the Plan senior to the Secured Claims of the Lehman
28 Creditors. Although a Lehman Creditor may at any time elect to bid Cash for an Asset on the same

1 terms as other third parties, for bids made through the Initial Bids and, if the applicable Lehman
2 Creditors elect to make them, bids made through the Contingent Bids, Creditors are protected, as and
3 to the extent provided in the Lehman Plan:

4 A. Any Remaining Real Estate Project which is conveyed to a
5 Lehman Nominee pursuant to the Lehman Plan Sale Procedures pursuant to an Initial Bid or
6 Contingent Bid or increased bid therefrom, as set forth above (each a "PRA Security Project") shall
7 be encumbered by a PRA Recovery Deed of Trust and such Lehman Nominee shall execute a
8 Reconveyance Agreement.

9 B. Contingent Bids B, D and E, identified in the table above,
10 relate to three Remaining Real Estate Projects as to which the Debtors have alleged that the Lien of
11 the Lehman Lender is subject to a Cross-Collateralization Claim. If a Lehman Creditor is a
12 Successful Bidder pursuant to Contingent Bid B, D or E, a reconveyance obligation for a Cross-
13 Collateralization Final Judgment will apply as to such Project as set forth in the Lehman Plan and
14 such obligation will be secured by a PRA Recovery Deed of Trust (which shall be released as
15 provided in the Lehman Plan).

16 C. Contingent Bids A and C, identified in the table above, relate
17 to three Remaining Real Estate Projects as to which a Lehman Lender holds a Lien on the equity
18 interests in the owners of such Remaining Real Estate Projects for a limited purpose, but not directly
19 upon the Remaining Real Estate Projects and holds a General Unsecured Claim against the Holder of
20 the equity interests in the Project. Contingent Bids A and C are in the amount of the Debtors'
21 estimate of value for the applicable Remaining Real Estate Project set forth in the Debtors' Third
22 Amended Disclosure Statement. They will include a Cash portion equal to the full amount of the
23 bid, or, if less, 110% of the aggregate amount of all non-Lehman Creditor Claims against the
24 particular Plan Debtor owning the subject Remaining Real Estate Project as estimated in Exhibit 7 to
25 the Debtors' Third Amended Disclosure Statement. The Cash portions of Contingent Bids A and C,
26 identified in the table above, for these three Remaining Real Estate Projects, divided among the five
27 Plan Debtor owners thereof, are as follows: Beaumont Heights Project (owned by SunCal
28 Beaumont): \$689,200 Cash (non-Lehman Creditor Claims of \$626,545 x 110%); Johansson Ranch

1 Project (owned by SunCal Johansson): \$165,427 Cash (non-Lehman Creditor Claims of \$150,388 x
2 110%); Summit Valley Project (the portion owned by SunCal Summit Valley): \$750,000 Cash
3 (entire bid); Summit Valley Project (the portion owned by Kirby Estates): \$2,000 Cash (non-
4 Lehman Creditor Claims of \$1,744 x 110%); and Summit Valley Project (the portion owned by
5 Seven Brothers): \$66,911 Cash (non-Lehman Creditor Claims of \$60,828 x 110%).

6 (b) **Net Proceeds from Sales of Remaining Real Estate Projects to**
7 **Third Party Purchasers.**

8 If a Remaining Real Estate Project subject to a Lehman Lender's Lien is sold to a
9 third party purchaser (rather than sold or conveyed to a Lehman Nominee), as to the Net Cash
10 Proceeds therefrom, the Liquidating Trustee shall hold such Net Cash Proceeds in the Plan Reserve
11 and, as to non-Cash Net Proceeds to the Liquidating Trustee therefrom, the applicable Lehman
12 Lenders shall be afforded substitute Liens on such non-Cash Net Proceeds.

13 (c) **PRA Recovery Security Pool.**

14 (i) **Generally.**

15 The Lehman Lenders dispute or may dispute all or substantially all of the Equitable
16 Subordination Claims and the Cross-Collateralization Claims. If, however, some recovery were
17 afforded to the Liquidating Trustee for the Estates in respect of the Equitable Subordination Claims
18 in the ES Action or the Cross-Collateralization Claims in a Cross-Collateralization Action (*i.e.*, a
19 Project Related Action Recovery), and if a variety of other litigation hurdles were overcome, the
20 values of the Remaining Real Estate Projects against which Lehman Creditors hold Secured Claims
21 and on which Lehman Creditors are bidding and may bid possibly would be available to satisfy the
22 Project Related Action Recovery. Thus, to secure the satisfaction of a Project Related Action
23 Recovery and thereby protect the Estates of the Plan Debtors and their Creditors (1) certain Cash is
24 to be held by the Liquidating Trustee in the Plan Reserve and the remainder therefrom shall be
25 available to satisfy such ES Final Judgment or Cross-Collateralization Final Judgment to the extent
26 otherwise provided under the Lehman Plan and (2) any Remaining Real Estate Project that is
27 conveyed to a Lehman Nominee pursuant to the Lehman Plan Sale Procedures shall be subject to a
28 PRA Recovery Deed of Trust (collectively, the "PRA Recovery Security Pool").

At any time that the Plan Reserve contains an amount equal to the Maximum PRA Recovery Amount, by voluntary payment of a Lehman Related Party or otherwise, the Liquidating Trustee shall terminate all Reconveyance Agreements, release and reconvey to the applicable Lehman Nominees all PRA Recovery Deeds of Trust and release to the applicable Holders of the Lehman Secured Claims and all Lehman Nominees (who shall determine the allocation of the funds amongst them) all funds in the Plan Reserve in excess of the Maximum PRA Recovery Amount. At any time that the ES Action and all timely Filed Cross-Collateralization Actions either (I) have been dismissed with prejudice and/or settled or (II) the Project Related Action Recovery with respect thereto as against the applicable Lehman Related Parties has been fully satisfied, the Liquidating Trustee, upon the request of the applicable Lehman Related Parties, shall terminate all Reconveyance Agreements, release and reconvey to the applicable Lehman Nominees all PRA Recovery Deeds of Trust and release to the applicable Holders of the Lehman Secured Claims and all Lehman Nominees (who shall determine the allocation of the funds amongst them) all funds in the Plan Reserve other than the amount reserved with respect to the Guaranteed Minimum Distribution.

(ii) PRA Recovery Deeds of Trust.

Upon conveyance of a Remaining Real Estate Project to one or more Lehman Nominees in connection with the Lehman Plan Sale Procedures, the Lehman Lenders will cause the applicable Lehman Nominees taking title to the applicable PRA Security Project to record a PRA Recovery Deed of Trust with the priority achievable from the appropriate recording thereof just prior to the moment of conveyance. The Liquidating Trustee shall be the named beneficiary under any PRA Recovery Deed of Trust and, in his or her sole discretion, may delay, defer or waive receipt of the benefits or the recording thereof as to one or more Remaining Real Estate Projects. Each PRA Recovery Deed of Trust is being given solely for the purpose of creating a Lien on the applicable PRA Security Project to be part of the PRA Recovery Security Pool and nothing contained therein shall in any way restrict or interfere with the rights of the owner of such PRA Security Project, including, without limitation, such owner's right to own, manage, operate, improve, sell, convey, refinance, encumber and otherwise deal with such PRA Security Project.

Each PRA Recovery Deed of Trust shall secure the non-recourse obligation of each Lehman Nominee who is the owner of each relevant PRA Security Project to reconvey the applicable PRA Security Project to the Liquidating Trustee in the event of an ES Final Judgment or Cross-Collateralization Final Judgment, subject to the terms of the Reconveyance Agreements and subject to the option of the Lehman Nominee to pay in Cash the amount of the Project Related Action Recovery in lieu of effectuating such reconveyance. In aggregate, the PRA Security Deeds of Trust secure an amount not in excess of the Maximum DOT Security Amount.

Each PRA Recovery Deed of Trust shall also provide that the applicable Lehman Nominee will not cause, through an affirmative action on its part (as opposed to any inaction or failure to act), any hazardous substances to be deposited onto the applicable PRA Security Project encumbered by such PRA Recovery Deed of Trust at any time following the acquisition of title to such PRA Security Project by such Lehman Nominee and prior to the sale of such PRA Security Project; provided, however, that the Lehman Nominee shall have no obligation to (1) clean up, remove or remediate any existing hazardous substances (including, without limitation, any asbestos, mold or petroleum products) which may be present on or within such PRA Security Project or which may be emanating therefrom as of the date of the conveyance of such property to such Lehman Nominee or (2) take any action or incur any expense to prevent hazardous substances from existing or being present on or within such PRA Security Project or from otherwise emanating therefrom except as specifically provided above (the “Negative Covenant”). If such Lehman Nominee fails to comply with the foregoing Negative Covenant for thirty (30) days following written notice and an opportunity to cure, then the Liquidating Trustee shall have the right to seek damages against Lehman ALI and Lehman Commercial, jointly and severally, and any claims arising from the pursuit of such remedies shall be treated as administrative expense claims in Lehman Commercial’s bankruptcy case and, if Lehman ALI is then subject to its own bankruptcy proceeding, Lehman ALI shall use its best efforts to afford the same administrative priority to such claims in any such bankruptcy case. Any payments made or assets seized in satisfaction of any judgment based on such damage claims shall be deposited into the Plan Reserve. In addition, if a Lehman Nominee fails to pay or cause to be paid any property taxes or assessments due and payable with respect to the PRA

1 Security Project owned by such Lehman Nominee on or prior to the date which is six (6) months
2 prior to the earliest date on which a foreclosure of such PRA Security Project could be effectuated
3 for non-payment of property taxes or assessments, then the Liquidating Trustee shall have the right
4 to make a protective advance for the payment of such taxes or assessments and to foreclose upon the
5 applicable PRA Recovery Deed of Trust encumbering such PRA Security Project in order to repay
6 any such outstanding protective advance; provided that any proceeds of any such foreclosure sale
7 and any interest acquired by the Liquidating Trustee in connection with any such foreclosure sale
8 shall be deposited into the Plan Reserve pending the completion of the Project Related Actions.

9 **(iii) Reconveyance Agreements.**

10 The non-recourse performance obligations for turnover and reconveyance of each
11 PRA Security Project secured by the applicable PRA Recovery Deed of Trust shall be in a writing
12 (each, a "Reconveyance Agreement"), which writing is to be executed by the applicable Lehman
13 Nominee that takes ownership of the subject PRA Security Project and shall be in a form acceptable
14 to the Lehman Lenders or Lehman Nominee and Liquidating Trustee or as reasonably proposed by
15 the Lehman Lenders or Lehman Nominee and approved by the Bankruptcy Court at or after the
16 hearing on confirmation of the Lehman Plan, as may be modified after the Confirmation Date by
17 agreement of the applicable Lehman Nominee or other owner of the applicable PRA Security Project
18 and Liquidating Trustee or approval of the Bankruptcy Court. At a Lehman Nominee's election,
19 such non-recourse obligations, instead, may be satisfied by a Cash payment to the applicable
20 Estate(s) in the amount of any applicable Project Related Action Recovery.

21 The obligations to reconvey a particular PRA Security Project following the
22 occurrence of, and in satisfaction of, a Cross-Collateralization Final Judgment or an ES Final
23 Judgment are distinct. The reconveyance obligation with respect to an ES Final Judgment shall be
24 included in each Reconveyance Agreement. The reconveyance obligation with respect to a Cross-
25 Collateralization Final Judgment shall be included only in the Reconveyance Agreement related to
26 the PRA Security Project as to which a Cross-Collateralization Claim is alleged in a Cross-
27 Collateralization Action. The benefits of the reconveyance obligations with respect to ES Final
28 Judgments, if any, are themselves to be cross-collateralized, to the extent provided in the Lehman

Plan, by virtue of the concessions being made by the Lehman Creditors to benefit Non-Settling ES Claimants as described in Section 9.9(f) of the Plan. A reconveyance obligation with respect to a Cross-Collateralization Final Judgment, if any, shall only apply with respect to the particular PRA Security Project as to which the Lien of the applicable Lehman Creditor is avoided by the Cross-Collateralization Final Judgment and the benefits thereof, if any, only shall inure to the Holders of Allowed Claims against the Plan Debtor that owned such PRA Security Project as provided in Section 0 of the Plan. Nonetheless, for PRA Security Projects as to which the Reconveyance Agreement contains obligations to reconvey for both an ES Final Judgment and a Cross-Collateralization Final Judgment, the distribution priorities as to the Net Cash Proceeds from the disposition of the reconveyed PRA Security Project give priority to the Cross-Collateralization Judgment, which in theory would be setting aside the Lien as to which the related ES Judgment seeks to transfer the now extinguished benefits.

(iv) Release of PRA Recovery Deeds of Trust.

The PRA Recovery Deeds of Trust generally shall remain in effect pending the final settlement or determination of the Project Related Actions. Thus, all PRA Recovery Deeds of Trust shall be released and reconveyed and all Reconveyance Agreements shall be terminated upon:

- (A) the dismissal, with prejudice, and/or settlement of all Project Related Actions against the applicable Lehman Related Parties, or
- (B) full satisfaction of each Project Related Action Recovery as against the applicable Lehman Related Parties.

Additionally, in order to permit the Lehman Nominees holding title to the PRA Security Projects to fully utilize such properties:

- i. all of the PRA Recovery Deeds of Trust shall be released and all Reconveyance Agreements terminated at such time as the balance of funds in the Plan Reserve is equal to the Maximum PRA Recovery Amount; and
- ii. the PRA Recovery Deed of Trust encumbering a particular PRA Security Project shall be released and the corresponding Reconveyance Agreement terminated upon the sale of such Project to a third party and the deposit of

any Net Cash Proceeds resulting from such sale into the Plan Reserve and/or the provision of a substitute Lien on any non-Cash Net Proceeds resulting from such sale; and

- iii. the PRA Recovery Deed of Trust encumbering a particular PRA Security Project shall be subordinated to the Lien of a new mortgage loan upon a refinancing of the particular PRA Security Project obtained by the applicable Lehman Nominee in its sole and absolute discretion, provided that all Net Cash Proceeds derived from such refinancing are deposited into the Plan Reserve.

Further, the reconveyance obligation, to be included in any Reconveyance Agreement with respect to a Cross-Collateralization Final Judgment if a timely Cross-Collateralization Action is pending as to certain Projects if conveyed under the Lehman Plan Sale Procedures to a Lehman Nominee, shall terminate once no Cross-Collateralization Action is pending and either no Cross-Collateralization Judgment has issued or such judgment been satisfied, annulled, vacated or reversed.

Whenever Lien releases or subordinations or terminations of reconveyance obligations or Reconveyance Agreements occur or are required, the Liquidating Trustee shall act reasonably in arranging to provide, and in executing such documents as the applicable Lehman Nominee reasonably requests to effectuate the reconveyance in full of the PRA Recovery Deeds of Trust or termination of reconveyance obligations or Reconveyance Agreements.

(v) Reduction of Maximum PRA Recovery Amount.

The Maximum PRA Recovery Amount, which serves as the maximum aggregate amount secured by the PRA Recovery Security Pool, is an amount intended to be not less than the maximum potential cash value of the Project Related Action Recovery. For the calculation of the Maximum PRA Recovery Amount, the definition thereof in the Lehman Plan includes, unless rebutted with lower figures, presumptions that the maximum cash value of the potential Project Related Action Recovery for Cross-Collateralization Final Judgments is \$1.74 million and for ES Judgments is \$200 million. If, however, a Lehman Lender Files a motion with the Bankruptcy Court

1 and provides relevant evidence, as follows, the Maximum PRA Recovery Amount shall be reduced
2 accordingly:

3 A. to replace the amount used in subparagraph (a) of the definition
4 of Maximum PRA Recovery Amount, the Bankruptcy Court must find that a lower number results
5 upon determining (I) the lesser of (A) the maximum cash value, if any, of the Lehman Secured
6 Claims alleged to be subject to being set aside pursuant to a Cross-Collateralization Judgment, which
7 Secured Claims are against any of the Acton Project, Joshua Ridge Project or Tesoro Project as is
8 conveyed to a Lehman Nominee upon a credit bid and (B) the maximum Claims (other than Claims
9 of Lehman Creditors) against Acton Estates, SCC Communities or Tesoro (as to which Plan Debtors,
10 there are pending Cross-Collateralization Claims in a pending Cross-Collateralization Action against
11 a Lehman Related Party and the Project owned by such Estate has been conveyed to a Lehman
12 Nominee pursuant to a credit bid), and (II) subtracting from such amount the value of all direct or
13 indirect benefits to the subject Plan Debtor resulting from the subject Lehman Loan; and/or

14 to replace the amount used in subparagraph (b)(i) of the definition of Maximum PRA
15 Recovery Amount, the Bankruptcy Court finds that a lower number results upon determining (I) the
16 lesser of (A) the maximum cash value of the Lehman Secured Claims in the Plan Debtors' Assets
17 that are alleged to be subject to subordination pursuant to an ES Judgment and (B) the maximum
18 Claims (other than Claims of Lehman Creditors) against the Plan Debtors (as to which there are
19 pending allegations in the ES Action that a Lehman Secured Claim is subject to subordination).

20 **(d) Sale or Refinance of PRA Security Projects.**

21 (i) refinance the PRA Security Projects in all respects The Lehman
22 Nominee(s) will have full right to sell and/or after the conveyance thereof to the Lehman Nominee(s)
23 pursuant to the Lehman Plan Sale Procedures without any interference by the Liquidating Trustee,
24 SunCal, the Trustee, the Debtors or any of their respective Affiliates or any ES Claimants or other
25 Creditors of the applicable Plan Debtors.

26 (ii) If any particular PRA Security Project is thereafter sold by a
27 Lehman Nominee other than to a Lehman Related Party, (a) the Liquidating Trustee shall release the
28 PRA Recovery Deed(s) of Trust as to such PRA Security Project, (b) the Net Cash Proceeds derived

1 from such sale shall be deposited into the Plan Reserve, and (c) the Lehman Nominee shall grant the
2 Liquidating Trustee a substitute Lien in any non-Cash Net Proceeds received by such Lehman
3 Nominee to become part of the PRA Recovery Security Pool and to be subject to the same terms as
4 other PRA Recovery Deeds of Trust.

5 (iii) If any particular PRA Security Project is refinanced by the
6 Lehman Nominee, (a) the Liquidating Trustee shall agree to subordinate the PRA Recovery Deed(s)
7 of Trust as to such PRA Security Project so as to permit the imposition on the PRA Security Project
8 of a new senior refinancing Lien, and (b) the Net Cash Proceeds derived from such refinancing shall
9 be deposited into the Plan Reserve.

10 (iv) If any particular PRA Security Project is sold by a Lehman
11 Nominee to another Lehman Related Party, then either (x) such sale may be made subject to the PRA
12 Recovery Deed(s) of Trust (which shall be mandatory if the transferee is a Lehman Creditor Party), or
13 (y) all of the following shall apply: (1) there shall be deposited into the Plan Reserve all Net Cash
14 Proceeds received by the Lehman Nominee in connection with such transfer, (2) the Liquidating
15 Trustee shall be granted a substitute Lien on any non-Cash Net Proceeds received by a Lehman
16 Nominee in connection with such transfer and (3) a Lien either (I) against the equity interest in the
17 joint venture or similar entity of the Lehman Nominee or (II) against the most direct interest held by a
18 Lehman Nominee, shall be granted to the Liquidating Trustee and the Lien so granted shall become
19 part of the PRA Recovery Security Pool and be subject to the same terms as the PRA Recovery Deeds
20 of Trust.

21 (v) As to any Remaining Real Estate Projects not sold or conveyed
22 pursuant to the Lehman Plan Sale Procedures: (i) they shall be otherwise liquidated by the
23 Liquidating Trustee or may be abandoned or surrendered with the consent of the Lehman Lenders and
24 after approval of the Bankruptcy Court; (ii) such Remaining Real Estate Projects may be sold free and
25 clear of Encumbrances other than Permitted Liens for Cash, or on such other terms to which the
26 Holder of an Allowed Secured Claim with respect thereto consents; (iii) the Holder of any such
27 Allowed Secured Claim (including any applicable Holder of any Lehman Secured Claim) shall
28 receive at least thirty (30) days' prior notice of any proposed sale and may elect to credit bid in

1 response to such notice up to the full amount of its Claim for which the item being sold is collateral
2 (without the amount bid being limited to the value of the Holder's interest in such collateral); (iv) if
3 the Remaining Real Estate Project is sold to a third party purchaser, promptly upon receipt thereof by
4 the Liquidating Trustee, the Net Cash Proceeds (and any non-Cash Net Proceeds) therefrom shall be
5 paid or turned over to the Holders of Allowed Secured Claims against such Remaining Real Estate
6 Project up to the full amount of each such Holder's Allowed Claim (or used in payment of other
7 Claims as otherwise set forth in the Lehman Plan in respect of the treatment of such Allowed Secured
8 Claims) and any remaining Net Cash Proceeds shall be used to pay other obligations of the applicable
9 Plan Debtor's Estate in the priorities set forth in Section 9.10(c) of the Plan.

10 **9.9 Equitable Subordination Claims**

11 **9.9.1 Generally.**

12 ES Claimants are afforded the option to vote either for acceptance of the ES
13 Settlement Offer and the specified benefits it provides or to have the Liquidating Trustee continue
14 prosecution of the Equitable Subordination Claims for their potential benefit.

15 **9.9.2 ES Settlement Offer.**

16 **(a) Payments to ES Settling Claimants.**

17 The Settling ES Claimants are to receive the ES Pro Rata Settlement Payments as and
18 to the extent set forth herein.

19 **(b) Releases and Assignments.**

20 In exchange for the ES Pro Rata Settlement Payments: (A) the Liquidating Trustee
21 will issue an Estate ES Settlement Release as to each Estate in which any Settling ES Claimant holds
22 its Allowed ES Claim; (B) each Settling ES Claimant will issue an ES Claimant Release and
23 Assignment; and (C) if there is Estate Acceptance of the ES Settlement as to all applicable Estates of
24 the ES Plan Debtors, the Liquidating Trustee also will dismiss (with prejudice), as to the Estates of
25 all ES Plan Debtors, the ES Action, with each party to bear its own costs and fees.

26 **(c) Estate ES Settlement Release.**In exchange for the commitment of the
27 Lehman Lenders under the Plan to make available funding for the ES Pro Rata Settlement Payments
28 from, among other sources, Cash Collateral of the Lehman Creditors, as of the Effective Date, the

1 Estate of each Plan Debtor as to which there is a Settling ES Claimant, on behalf of itself and its
2 Affiliates exclusive of other Debtors in these Cases, shall be deemed to unconditionally, irrevocably
3 and generally release, acquit and forever discharge, waive and relinquish any and all causes of
4 action, actions, rights of action, suits, judgments, liens, indebtedness, damages, losses, claims,
5 liabilities, obligations, attorneys' fees, costs, expenses and demands of every kind and character,
6 whether known or unknown, suspected or unsuspected, disclosed or undisclosed, including without
7 limitation any Litigation Claims, whether for damages, subordination or other remedies, and
8 including any and any objections or defenses to Lehman Related Party's Claims, Liens, rights, or
9 causes of action, to the extent attributable to the ES Claims of the Settling ES Claimants or to the
10 extent that the Net Cash Litigation Recoveries therefrom would be payable in respect of the ES
11 Claims of the Settling ES Claimants, from and against all Lehman Releasees and all and any owners
12 of the applicable Project(s) (that were at any time owned by the Plan Debtor of the releasing Estate),
13 including the Lehman Nominees, which owners are or were successors or assigns of the applicable
14 Debtor, or any of them, and their subsidiaries and their respective officers, directors, employees,
15 agents, predecessors, successors, assigns, representatives, attorneys and other professionals, or their
16 properties.

17 The releases given above include an express, informed, knowing and voluntary
18 waiver and relinquishment to the fullest extent permitted by law of rights under Section 1542 of the
19 California Civil Code, which reads as follows, and under any similar or comparable laws anywhere
20 in the world:

21
22 **A general release does not extend to claims which the creditor does**
23 **not know or suspect to exist in his favor at the time of executing**
24 **the release, which if known by him must have materially affected**
25 **his settlement with the debtor.**

26 While the Confirmation Order, without more, shall effectuate the release, waiver and
27 relinquishment described or referenced in this section for the Lehman Releasees and successor
28 owners of the specified Projects, in accordance herewith, the Lehman Releasees also shall be entitled
to the issuance of a separate written release, waiver and relinquishment by the Liquidating Trustee in
a form acceptable to the Lehman Lenders and Liquidating Trustee or as reasonably proposed by the

1 Lehman Lenders and approved by the Bankruptcy Court at or after the hearing on confirmation of
2 the Lehman Plan.

3 (d) **ES Claimant Release and Assignment.**

4 In exchange for the commitment of the Lehman Lenders under the Plan to make
5 available funding for the ES Pro Rata Settlement Payments from, among other sources, Cash
6 Collateral of the Lehman Creditors as of the Effective Date, in returning its Ballot accepting the ES
7 Settlement Offer, each Settling ES Claimant by Vote, on behalf of itself and its Affiliates, shall be
8 deemed to (a) unconditionally, irrevocably and generally release, acquit and forever discharge,
9 waive and relinquish any and all causes of action, actions, rights of action, suits, judgments, liens,
10 indebtedness, damages, losses, claims, liabilities, obligations, attorneys' fees, costs, expenses and
11 demands of every kind and character, whether known or unknown, suspected or unsuspected,
12 disclosed or undisclosed, including without limitation any Litigation Claims, whether for damages,
13 subordination or other remedies, and including any and any objections or defenses to Lehman
14 Related Party's Claims, Liens, rights, or causes of action, to the extent attributable or related to the
15 ES Claims of such Settling ES Claimant or to the extent that the Net Cash Litigation Recoveries
16 therefrom would be payable in respect of the ES Claims of such Settling ES Claimant (collectively,
17 the "ES Claimant Released Claims"), from and against all Lehman Releasees and all and any owners
18 of the applicable Project(s) (that were at any time owned by the Plan Debtor of the Estate against
19 which the applicable Allowed ES Claim is asserted), including the Lehman Nominees, which owners
20 are or were successors or assigns of the applicable Debtor, or any of them, and their subsidiaries and
21 their respective officers, directors, employees, agents, predecessors, successors, assigns,
22 representatives, attorneys and other professionals, or their properties, and (b) to the extent such ES
23 Claimant Released Claims are owned by the Estate of a Plan Debtor and cannot be released by the
24 ES Claimant, assign to the applicable Lehman Lender (or if multiple applicable Lehman Lenders, the
25 Lehman Lender holding the most senior Lien against the applicable Estate's Project), all rights,
26 benefits and interests of the Settling ES Claimant with respect to such ES Claimant Released Claims,
27 including the Litigation Recoveries that otherwise would be due therefrom to, or attributable to the
28 ES Claims of, the Settling ES Claimants.

The releases given above include an express, informed, knowing and voluntary waiver and relinquishment to the fullest extent permitted by law of rights under Section 1542 of the California Civil Code, which reads as follows, and under any similar or comparable laws anywhere in the world:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

While the Confirmation Order, without more, shall effectuate the release, waiver and relinquishment described or referenced in this section for the Lehman Releasees and all successor owners of the specified Projects, in accordance herewith, the Lehman Releasees also shall be entitled to the issuance of a separate written release, waiver and relinquishment by the Settling ES Claimant by Vote in the form set forth on, or attached to, the Ballot.

9.9.3 Continued Prosecution of Equitable Subordination Claims.

Unless all of the Estates of the ES Plan Debtors accept the ES Settlement Offer (through the acceptance of the ES Settlement Offer by at least one-half in number and two-thirds in amount of the voting ES Claimants of each such ES Plan Debtor's Estate), resulting in a dismissal (with prejudice), release and settlement of all Equitable Subordination Claims as to all ES Plan Debtors' Estates, the Liquidating Trustee may continue prosecution of the Equitable Subordination Claims in the ES Action seeking any alleged damages, subordination or other remedies that may be available for the benefit of and attributable to the ES Claims of any Non-Settling ES Claimants, subject to the Plan Release and as determined by the court with jurisdiction over such actions; provided, that the PRA Recovery Security Pool will be the sole source for recovery on an ES Judgment, unless a Lehman Lender elects to pay Cash in lieu thereof.

(e) ES Litigation Loan.

(i) Unless the Equitable Subordination Claims in the ES Action are fully settled as to all ES Plan Debtors' Estates (*i.e.*, there is Estate Acceptance of the ES Settlement for all ES Plan Debtors' Estates), a Lehman Lender will make available to the Liquidating Trustee the ES Litigation Loan in the aggregate principal amount of up to \$1 million for the Estates of those ES Plan Debtors for which the Liquidating Trustee continues to prosecute Equitable Subordination

1 Claims. The ES Litigation Loan will accrue interest at a 10% annual rate (compounded annually).
2 The proceeds of the ES Litigation Loan may be used solely for the payment of ES Litigation
3 Expenses if and only if there is no Available Cash in the Post-Confirmation Accounts to fund the ES
4 Litigation Expenses and SunCal and its principals decline to continue paying the cost of prosecuting
5 the Equitable Subordination Claims in the ES Action.

6 (ii) The ES Litigation Loan shall be made available by a Lehman
7 Lender to the Liquidating Trustee as the ES Litigation Expenses are incurred and shall be funded no
8 more frequently than on a monthly basis. The Liquidating Trustee shall provide the Lehman Lender
9 with reasonable substantiation and backup (including invoices and statements from the parties to be
10 paid) for any ES Litigation Expenses to be paid with the proceeds of the ES Litigation Loan in
11 connection with any request to the Lehman Lender for an advance of proceeds of the ES Litigation
12 Loan; provided, however, that the Liquidating Trustee shall not be required to provide any
13 substantiation or backup to the Lehman Lender that discloses, directly or indirectly, information or
14 communications that are subject to attorney-client privilege or attorney work product or contains any
15 other privileged or confidential information or strategies of the Liquidating Trustee with respect to the
16 ES Action.

17 (iii) ES Litigation Proceeds shall be made available to pay Allowed
18 Non-Settled ES Claims only after repayment of the ES Litigation Loan, together with interest thereon
19 at an annual, compounded rate of interest equal to 10%; provided, that such repayment may be made
20 without any prejudice to the right of the prevailing party to seek reasonable fees and costs from the
21 non-prevailing party in the ES Action. Such repayment shall be from sources other than Cash
22 Collateral to which the applicable Lehman Creditor otherwise is entitled.

23 (iv) At the election of a Lehman Lender, (1) the ES Litigation Loan
24 may be funded from Cash Collateral of a Lehman Creditor, (2) the ES Litigation Loan may be funded
25 from a transfer of new Cash from a Lehman Lender or (3) a Lehman Lender may direct that the
26 Liquidating Trustee use, for the ES Litigation Loan, funds in the form of new Cash from one or
27 another Lehman Creditor and pay a like amount of Cash Collateral securing a Lehman Loan towards
28 reduction of such Lehman Loan, as the Lehman Lender directs.

(f) **Concessions by Lehman Lenders' to Facilitate Collection of ES
Judgments.**

Although the Lehman Lenders believe they will defeat any Equitable Subordination Claims in the ES Action, to further incentivize support of all ES Claimants for the Lehman Plan, including Non-Settling ES Claimants, the Lehman Lenders, solely in connection with and for confirmation and the effectiveness of the Lehman Plan, agree to the following in connection with entry of an ES Judgment subordinating the Lehman Secured Claims to the ES Claims, if any such judgment is entered:

(1) **Excess Values Otherwise Available to Pay the
Lehman Creditors from Certain ES Plan Debtors' Projects Are to be Collateral for Equitable
Subordination Claims that Benefit ES Claimants of Other ES Plan Debtors.** For some particular ES Plan Debtors' Estates, the Net Cash Proceeds from the sale of their PRA Security Projects or other Assets likely would be insufficient to pay the Allowed ES Claims against those Estates and, for other particular ES Plan Debtors' Estates, such Net Cash Proceeds likely would exceed the Allowed ES Claims against their Estates. Instead of any such excess Net Cash Proceeds being available next to the Lehman Creditors, as Holders of Secured Claims or subordinated Secured Claims against those Estates, the Lehman Creditors, to their own detriment, have agreed, by virtue of permitting the PRA Recovery Security Pool to secure all ES Judgments, to voluntarily subordinate their remaining Secured Claims in any such excess values in the PRA Security Projects to any unpaid portion of an ES Final Judgment as to other ES Plan Debtors' Estates.

(2) **To Obtain the ES Judgment in the First Instance for
Del Rio and SJD Partners, No Showing Will be Required that the Subject Estates Had Enough
Value In Them to Pay their ES Claims Without Regard to Any Lehman Secured Claim.** As to the Estates of Del Rio and SJD Partners only, Lehman ALI and Fenway Capital will waive an objection or defense, that, even if the applicable Lehman Secured Claim was ignored, there was insufficient value in those Estates to pay their Allowed ES Claims and, as to SJD Partners, that they are inappropriate defendants as to a non-recourse judgment secured by the PRA Recovery Security Pool, provided that (I) all other grounds necessary to obtain an ES Judgment have been satisfied, and

(II) the applicable Estate executes the Del Rio / SJD Partners Release within forty-five (45) days following the Effective Date.

(3) There is to be a BFP Waiver by Fenway Capital.

The defense to the ES Action by Fenway Capital (which the Bankruptcy Court determined is a Lehman Successor) that Fenway Capital is a *bona fide* purchaser for value of certain applicable Lehman Loans, such that the actions or conduct of the Lehman Lenders could not be attributed to Fenway Capital due to such status, is to be waived if the Credit Bid Conditions are satisfied and if Fenway Capital affirmatively consents in writing. (The Lehman Lenders are exercising good faith efforts to obtain the affirmative consent in writing of Fenway Capital to the BFP Waiver.)

9.10 Post-Petition Expenses, Intercompany Loans and Payables and Priorities in Payment.

9.10.1 Post Confirmation Expenses and Intercompany Loans.

All Post-Confirmation Expenses may be paid by the Liquidating Trustee from the Post-Confirmation Account(s) upon ten (10) days' prior written notice and opportunity to object provided to the Lehman Lenders, the Committee(s), the Holders of Lehman Disputed Secured Claim(s), or with their consent, but without further notice to other Creditors or Holders of Interests, or approval of the Bankruptcy Court. Any disputes concerning the payment of Administrative and Post-Confirmation Expenses shall be submitted to the Bankruptcy Court for resolution. To the extent readily determinable, Post-Confirmation Expenses attributable to a particular Plan Debtor shall be paid from that Plan Debtor's Assets consistent with the provisions of the Lehman Plan. To the extent of available Assets from each Plan Debtor, other Post-Confirmation Expenses shall be payable by each Plan Debtor Pro Rata consistent with the Lehman Plan, provided that after a Plan Debtor's available Cash or Assets are exhausted, the other Plan Debtors shall absorb such Plan Debtor's share of unpaid Post-Confirmation Expenses as provided in the Lehman Plan, which shall be Pro Rata to the extent reasonably possible. To the extent one Plan Debtor advances funds on behalf of another, the Liquidating Trustee shall book a receivable for the advancing Debtor and a payable for the borrowing Debtor.

9.10.2 Payables and Priorities in Payment.

Recoveries from the following sources as to which there are no unsubordinated Secured Claims shall be applied in the following manner:

(a) Funds Constituting Collateral.

All funds that are collateral for the Lehman Post-Confirmation Funding shall be used for repayment thereof to the applicable Lehman Lender or replenishment of Cash Collateral for the applicable Lehman Lender when available for distribution or upon maturity of the Lehman Post-Confirmation Funding; and all funds that are collateral for a Lehman Secured Claim shall be used for repayment thereof when provided in the Lehman Plan as to treatment of the Lehman Secured Claims; provided that the tax distributions to the applicable Lehman Lender from the Plan Reserve shall be payable no less than annually from the income earned thereupon;

(b) Funds Constituting ES Litigation Proceeds.

ES Litigation Proceeds of a particular Estate (unless they are or may also be a Project Related Action Recovery of a particular Estate with respect to a Cross-Collateralization Judgment) shall be applied in the following order of priority until exhausted:

- (i) First, to payment of the ES Litigation Loan;
- (ii) Second, to payment of, or, in the discretion of the Liquidating Trustee, reserve for the particular Estate's Pro Rata share of repayments owing with respect to Lehman Post-Confirmation Funding;
- (iii) Third, to payment of, or, in the discretion of the Liquidating Trustee, reserve for the direct Post-Confirmation Expenses of such Estate and its Pro Rata share of unpaid Post-Confirmation Expenses commonly allocable among it and other Plan Debtors (not including any repayment of post-Confirmation Date intercompany payables);
- (iv) Fourth, to repayment of any post-Confirmation Date intercompany payables of such Estate;
- (v) Fifth, to such Estate's Holders of Allowed Non-Settled ES Claims entitled to the ES Litigation Proceeds pursuant to the terms of the ES Final Judgment until paid the full amount of their Allowed ES Claims;

(vi) Sixth, to the Estates of other Holders of Allowed ES Claims entitled to the ES Litigation Proceeds pursuant to the terms of the ES Final Judgment, if any, payable Pro Rata among such Estates based upon their entitled and Allowed ES Claims not paid from their Estate's own Assets, first to pay such Estate's share of repayments owing with respect to Lehman Post-Confirmation Funding and next to pay such Allowed ES Claims until paid in full; and

(vii) Seventh, to the applicable Lehman Creditors;

(c) **Various Other Funds, Including Funds Constituting a Project Related Action Recovery With Respect to a Cross-Collateralization Judgment.**

(1) A Project Related Action Recovery of a particular Estate with respect to a Cross-Collateralization Judgment (unless it also may become ES Litigation Proceeds based upon the ES Action), (2) any Net Cash Proceeds from the sale or disposition of Remaining Other Assets or otherwise, including Net Cash Litigation Recoveries and other funds in the Post-Confirmation Accounts, and (3) any repayment of a post-Confirmation Date intercompany payable, shall be applied in the following order of priority until exhausted:

(i) First, to payment of, or, in the discretion of the Liquidating Trustee, reserve for its Pro Rata share of repayments owing with respect to Lehman Post-Confirmation Funding;

(ii) Second, to payment of, or, in the discretion of the Liquidating Trustee, reserve for the direct Post-Confirmation Expenses of such Estate and its Pro Rata share of unpaid Post-Confirmation Expenses commonly allocable among it and other Plan Debtors (not including any repayment of post-Confirmation Date intercompany payables);

(iii) Third, to repayment of any post-Confirmation Date intercompany payables of such Estate;

(iv) Fourth, to any of such Estate's due and payable Allowed Administrative Claims, Allowed Tax Claims, and Allowed Priority Claims;

(v) Fifth, to pay or, in the discretion of the Liquidating Trustee, reserve for unpaid Post-Confirmation Expenses of other Debtors and their share of repayments owing

with respect to Lehman Post-Confirmation Funding (to be booked upon use as a receivable to the advancing Estate and as a payable by the borrowing Estate);

(vi) Sixth, to pay, in the discretion of the Liquidating Trustee, an accelerated payment for Tax Claims; and

(vii) Seventh, as Residual Cash to the Holders of Allowed Claims in Class 7 and Class 8 under the Plan;

(d) **Funds that Constitute Both ES Litigation Proceeds and a Project Related Action Recovery With Respect to a Cross-Collateralization Judgment.**

ES Litigation Proceeds of a particular Estate that also are a Project Related Action Recovery of such Estate with respect to a Cross-Collateralization Judgment, shall be applied in the following order of priority until exhausted:

(i) First, to payment of the ES Litigation Loan;

(ii) Second, to payment of, or, in the discretion of the Liquidating Trustee, reserve for the particular Estate's Pro Rata share of repayments owing with respect to Lehman Post-Confirmation Funding;

(iii) Third, to payment of, or, in the discretion of the Liquidating Trustee, reserve for the direct Post-Confirmation Expenses of such Estate and its Pro Rata share of unpaid Post-Confirmation Expenses commonly allocable among it and other Plan Debtors (not including any repayment of post-Confirmation Date intercompany payables);

(iv) Fourth, to repayment of any post-Confirmation Date intercompany payables of such Estate;

(v) Fifth, to any of such Estate's due and payable Allowed Administrative Claims, Allowed Tax Claims, and Allowed Priority Claims;

(vi) Sixth, to pay or, in the discretion of the Liquidating Trustee, reserve for unpaid Post-Confirmation Expenses of other Debtors and their share of repayments owing with respect to Lehman Post-Confirmation Funding (to be booked upon use as a receivable to the advancing Estate and as a payable by the borrowing Estate);

(vii) Seventh, to such Estate's Holders of Allowed Non-Settled ES Claims entitled to the ES Litigation Proceeds pursuant to the terms of the ES Final Judgment until paid the full amount of their Allowed ES Claims;

(viii) Eighth, to the Estates of other Holders of Allowed ES Claims entitled to the ES Litigation Proceeds pursuant to the terms of the ES Final Judgment, if any, payable Pro Rata among such Estates based upon their entitled and Allowed ES Claims not paid from their Estate's own Assets, first to pay such Estate's share of repayments owing with respect to Lehman Post-Confirmation Funding and next to pay such Allowed ES Claims until paid in full; and

(ix) Ninth, as Residual Cash to the Holders of Allowed Claims in Class 7 and Class 8 under the Plan; and

(e) **Funds that May Later be Determined to be Both ES Litigation Proceeds and Project Related Action Recovery With Respect to a Cross-Collateralization Judgment.**

Funds that presently are known to be either, but not yet both, ES Litigation Proceeds of a particular Estate or a Project Related Action Recovery with respect to a Cross-Collateralization Judgment, which potentially could also become the other upon Conclusion of the relevant, pending Project Related Action, shall be applied in the following order of priority until exhausted:

(i) First, reserved for payment of the ES Litigation Loan;

(ii) Second, to payment of, or, in the discretion of the Liquidating Trustee, reserve for the particular Estate's Pro Rata share of repayments owing with respect to Lehman Post-Confirmation Funding;

(iii) Third, to payment of, or, in the discretion of the Liquidating Trustee, reserve for the direct Post-Confirmation Expenses of such Estate and its Pro Rata share of unpaid Post-Confirmation Expenses commonly allocable among it and other Plan Debtors (not including any repayment of post-Confirmation Date intercompany payables);

(iv) Fourth, to repayment of any post-Confirmation Date intercompany payables of such Estate;

(v) Fifth, to be reserved and applied upon Conclusion of the relevant, pending Project Related Action in accordance with the above-described priorities of distribution.

9.10.3 Allocations and Distributions Under this Section.

For purposes of this Section 9.9(f)(2) of the Plan, in calculating the amount of Allowed ES Claims not paid from an Estate's own Assets for a distribution of ES Litigation Proceeds pursuant hereto, the Liquidating Trustee may ignore future expected or possible recoveries, but upon such later recoveries occurring for such Estates, the Liquidating Trustee shall recalculate the prior distribution and adjust the amount of the later distribution to ensure that the aggregate distributions are correct among entitled Holders of Allowed ES Claims.

9.11 Plan Release.

In exchange for the extension of credit represented by the additional Lehman Post-Confirmation Funding, the ES Settlement Offer and the delayed satisfaction of the Secured Claims of the Lehman Related Parties, as of the Effective Date, the Estate of each Plan Debtor, on behalf of itself and its Affiliates exclusive of other Debtors in these Cases shall be deemed to unconditionally, irrevocably and generally release, acquit and forever discharge, waive and relinquish:

(a) any and all causes of action, actions, rights of action, suits, judgments, liens, indebtedness, damages, losses, claims, liabilities, obligations, attorneys' fees, costs, expenses and demands of every kind and character, whether known or unknown, suspected or unsuspected, disclosed or undisclosed, including without limitation any Litigation Claims, whether for damages, subordination or other remedies, and including any and any objections or defenses to Lehman Related Party's Claims, Liens, rights, or causes of action, from and against all Lehman Releasees, or any of them, and their subsidiaries and their respective officers, directors, employees, agents, predecessors, successors, assigns, representatives, attorneys and other professionals, or their property; except

(b) the following are not released, to the extent indicated:

(i) Avoidance Actions timely Filed and Filed no later than sixty (60) days following the Effective Date other than to the extent of Cross-Collateralization

1 Claims; and

2 (ii) with respect to (1) all Equitable Subordination
3 Claims in the ES Action and (2) those Cross-Collateralization Claims identified in the Debtors'
4 Third Amended Disclosure Statement and asserted in a Cross-Collateralization Action (*i.e.*, an
5 Avoidance Action against a Lehman Related Party that relates to a Cross-Collateralization Claim
6 that is timely Filed and Filed no later than sixty (60) days following the Effective Date), each owner
7 of each PRA Security Project shall have a non-recourse obligation to reconvey each PRA Security
8 Project to the Liquidating Trustee if required by a Project Related Action Recovery (in the form of
9 an ES Final Judgment or a Cross-Collateralization Final Judgment), which obligation shall be
10 secured by the PRA Recovery Security Pool and, at a Lehman Nominee's election, instead may be
11 satisfied by a Cash payment to the applicable Estate(s) in the amount of any Project Related Action
12 Recovery.

13 The releases given above include an express, informed, knowing and voluntary
14 waiver and relinquishment to the fullest extent permitted by law of rights under Section 1542 of the
15 California Civil Code, which reads as follows, and under any similar or comparable laws anywhere
16 in the world:

17 **A general release does not extend to claims which the creditor does not know or**
18 **suspect to exist in his favor at the time of executing the release, which if known by him must**
19 **have materially affected his settlement with the debtor.**

20 While the Confirmation Order, without more, shall effectuate the release, waiver and
21 relinquishment described or referenced in this section for the Lehman Releasees in accordance
22 herewith, the Lehman Releasees also shall be entitled to issuance of a separate written release,
23 waiver and relinquishment by the Liquidating Trustee in a form acceptable to the Lehman Lenders
24 and Liquidating Trustee or as reasonably proposed by the Lehman Lenders and approved by the
25 Bankruptcy Court at or after the hearing on confirmation of the Lehman Plan.

26
27 **9.12 Entry of Final Decrees.**

28 The Liquidating Trustee shall cause the entry of a final decree in the Case of each

Estate of a Plan Debtor at the earliest reasonable opportunity therefor. Such final decrees may be sought and entered individually for each Case.

9.13 Dissolution of Committees and Discharge of Trustee and Liquidating Trustee.

The Trustee, in his capacity as such, shall be discharged upon the Effective Date and his bond may be exonerated. The Liquidating Trustee and Committee shall be discharged upon consummation of the Lehman Plan and the entry of a final decree in each Case or as otherwise ordered by the Court.

9.14 The Effective Date Cash Funding and Plan Feasibility

The Debtors have estimated that there are approximately \$6.2 million of Allowed Administrative Claims and Allowed Priority Claims that will need to be funded on the effective date of any plan of reorganization herein. Further, the Debtors have estimated post-effective date costs and expenses of between \$5 and 6 million and post-effective date litigation expenses of between \$3 and 4 million. Thus, based upon the Debtors' current estimates, the cash expenses to be incurred in confirming and implementing a plan of reorganization herein will total approximately \$16 million.

The Lehman Proponents believe that the foregoing understates, and may significantly understate, the cost of confirming and implementing a plan of reorganization herein. However, the Lehman Proponents have available to them all of the cash balances of the Debtors in order to confirm and implement the Lehman Plan, together with the Lehman Post-Confirmation funding of up to \$5 million. Such liquidity should more than amply support both confirmation and implementation of the Lehman Plan.

X.

DISTRIBUTIONS

10.1 Distribution Agent.

The Liquidating Trustee shall serve as the Distribution Agent for distributions due under the Lehman Plan. The Distribution Agent may employ one or more sub agents on such terms and conditions as it may agree in its discretion and pay such subagent as a Post-Confirmation Expense from the Post-Confirmation Accounts. The Distribution Agent shall not be required to

1 provide any bond in connection with the making of any Distributions pursuant to the Lehman Plan.

2 **10.2 Distributions.**

3 (i) Dates of Distributions.

4 Any distribution required to be made on the Effective Date shall be deemed timely if
5 made as soon as practicable after such date and, in any event, within thirty (30) days after such date.
6 Any distribution required to be made upon a Disputed Claim becoming an Allowed Claim and no
7 longer being a Disputed Claim shall be deemed timely if made as soon as practicable thereafter.

8 (ii) Limitation on Liability.

9 Neither the Lehman Related Parties, the Lehman Nominees, the Liquidating Trustee,
10 their Affiliates, nor any of their employees, members, officers, directors, agents, attorneys or other
11 professionals shall be liable for (i) any acts or omissions (except for gross negligence or willful
12 misconduct) in connection with implementing the Distribution provisions of the Lehman Plan and
13 the making or withholding of Distributions pursuant to the Lehman Plan, or (ii) any change in the
14 value of Distributions made pursuant to the Lehman Plan resulting from any delays in making such
15 Distributions in accordance with the Lehman Plan's terms (including but not limited to any delays
16 caused by the resolution of Disputed Claims).

17 **10.3 Old Instruments and Securities.**

18 (i) Surrender and Cancellation of Instruments and Securities.

19 As a condition to receiving any distribution pursuant to the Lehman Plan in respect of
20 a Claim, each Person holding any note or other instrument or security evidencing such Claim must
21 surrender such instrument or security to the Distribution Agent, if requested.

22 (ii) Cancellation of Liens.

23 Except as otherwise provided in the Lehman Plan, any Lien securing any Secured
24 Claim shall be deemed released and discharged, and the Person holding such Secured Claim shall be
25 authorized and directed to release any collateral or other property of the Liquidating Trustee
26 (including, without limitation, any Cash Collateral) held by such Person and to take such actions as
27 may be requested by the Liquidating Trustee to evidence the release of such Lien, including, without
28 limitation, the execution, delivery and Filing or recording of such releases as may be requested by

the Liquidating Trustee.

10.4 De Minimis Distributions and Fractional Shares.

No Cash payment of less than ten dollars (\$10) shall be made by the Liquidating Trustee to any Holder of Claims unless a request therefor is made in writing to the Liquidating Trustee. Whenever payment of a fraction of a cent would otherwise be called for, the actual payment shall reflect a rounding down of such fraction to the nearest whole cent. Any Cash or other property that is not distributed as a consequence of this section shall, after the last distribution on account of Allowed Claims in the applicable Class, be treated as "Unclaimed Property" under the Lehman Plan.

10.5 Delivery of Distributions.

Except as provided in the Lehman Plan with respect to Unclaimed Property, distributions to Holders of Allowed Claims and Allowed Administrative Claims shall be distributed by mail as follows: (1) with respect to each Holder of an Allowed Claim that has Filed a Proofs of Claim, at the address for such Holder as maintained by the official claims agent for the Plan Debtors; (2) with respect to each Holder of an Allowed Claim that has not Filed a Proofs of Claim, at the address reflected on the Schedules Filed by the Plan Debtors, provided, however, that if the Plan Debtors or the Liquidating Trustee has received a written notice of a change of address for such Holder, the address set forth in such notice shall be used; or (3) with respect to each Holder of an Allowed Administrative Claim, at such address as the Holder may specify in writing.

10.6 Unclaimed Property.

If either (1) the Distribution of Cash to the Holder of any Allowed Claim is returned to the Liquidating Trustee (*e.g.*, as undeliverable) and the check or other similar instrument or distribution remains unclaimed for one hundred twenty (120) days from sending or (2) the check or other similar instrument used for the Distribution to the Holder of any Allowed Claim remains uncashed for one hundred twenty (120) days from sending; or (3) the Liquidating Trustee does not have an address for a Holder of any Allowed Claim on the date such Distribution first could have been made under the Lehman Plan and for one hundred twenty (120) days thereafter, then such applicable Distribution shall be Unclaimed Property under the Lehman Plan and the Liquidating Trustee shall be relieved of making such Distribution or any further Distribution to such Holder of

1 such Allowed Claim unless and until the Liquidating Trustee is notified in writing of the then current
2 address of such Holder of an Allowed Claim. Subject to the remainder of this Section and the
3 following section, Unclaimed Property shall remain in the possession of the Liquidating Trustee
4 pursuant to this Section, and shall be set aside and (in the case of Cash) held in a segregated, interest
5 bearing account to be maintained by the Distribution Agent until such time as the subject
6 Distribution becomes deliverable. Nothing contained in the Lehman Plan shall require the
7 Liquidating Trustee or any other Person to attempt to locate the Holder of an Allowed Claim as to
8 which there is Unclaimed Property.

9 **10.7 Disposition of Unclaimed Property.**

10 If the Person entitled thereto notifies the Liquidating Trustee of such Person's Claim
11 to a Distribution of Unclaimed Property within ninety (90) days following such Person's initial
12 Distribution Date, the Unclaimed Property distributable to such Person, together with any interest or
13 dividends earned thereon, shall be paid or distributed to such Person as soon as practical. Any
14 Holder of an Allowed Claim that does not assert a Claim in writing for Unclaimed Property held by
15 the Liquidating Trustee within ninety (90) days after the Holders' initial Distribution Date shall no
16 longer have any Claim to or Interest in such Unclaimed Property, and shall be forever barred from
17 receiving any Distributions under the Lehman Plan or otherwise from the Liquidating Trustee. In
18 such cases, any property held for Distribution on account of such Claims shall become Available
19 Cash and deposited into the Post-Confirmation Account of the Plan Debtor's Estate against which
20 the applicable Allowed Claim was asserted.

21 **XI.**

22 **OBJECTIONS TO CLAIMS AND DISPUTED CLAIMS**

23 **11.1 Standing for Objections to Claims.**

24 The Liquidating Trustee and Lehman Lenders shall have the sole and exclusive right
25 to File and resolve for the Estates objections to Claims and their status as ES Claims (provided,
26 however, that the Lehman Lenders shall not be allowed to resolve for the Estates objections to
27 Claims of any Lehman Related Party). Any objection to a Claim, including an objection to a Bond
28 Obligation in favor of a Bond Issuer under Bankruptcy Code section 502(e), or any objection to a

1 Claim's status as an ES Claim shall be Filed with the Bankruptcy Court and served on the Person
2 holding such Claim on or before the applicable Claims Objection Deadline, except as provided in the
3 Lehman Plan.

4 **11.2 Treatment of Disputed Claims.**

5 (i) No Distribution Pending Allowance.

6 If any portion of a Claim is a Disputed Claim, no payment or distribution provided for
7 under the Lehman Plan shall be made on account of such Claim unless expressly provided hereunder
8 or unless and until such Claim becomes an Allowed Claim. Except as expressly provided in the
9 Lehman Plan, Holders of Disputed Claims, pending their allowance, shall forbear from enforcement
10 of the rights entitled to them under the Lehman Plan for their Claims were they Allowed Claims;
11 provided that if the Claim is a Secured Claim, the Creditor may seek adequate protection for its
12 Claim from the Bankruptcy Court. A Claim that has not been Allowed by a Final Order of the
13 Bankruptcy Court and as to which the objection deadline has not passed, including as to its status as
14 an ES Claim, may be treated by the Liquidating Trustee as a Disputed Claim and, absent the
15 agreement of the Lehman Lenders, the Liquidating Trustee shall so treat any such Secured Claim not
16 expressly Allowed under the Lehman Plan and any ES Claim to which a payment otherwise would
17 be due under subparagraph (c) of Section 6.8 of the Lehman Plan.

18 (ii) Distribution After Allowance.

19 On the next Distribution Date following the date on which a Disputed Claim becomes
20 an Allowed Claim and is no longer a Disputed Claim, the Distribution Agent shall distribute to the
21 Person holding such Claim any Cash that would have been distributable to such Person if on the
22 initial Distribution Date such Claim had been an Allowed Claim and not a Disputed Claim.

23 (iii) Reserves for Disputed Claims.

24 In the event that Disputed Claims are pending, the Liquidating Trustee shall establish
25 reasonable reserves, including the Plan Reserve for such Disputed Claims. The Distribution Agent
26 may move the Bankruptcy Court for approval of its determination to reserve certain amounts.

27 **XII.**

28 **EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

1 **12.1 Executory Contracts Potentially Being Assumed.**

2 The Lehman Proponents may File and/or amend or modify on or prior to the
3 Confirmation Date an **Exhibit "A"** to the Lehman Plan containing a list of contracts and leases. The
4 Liquidating Trustee shall assume, assume and assign or reject the executory contracts and unexpired
5 leases on **Exhibit "A"** to the Lehman Plan no later than (a) forty-five (45) days following the last
6 auction under the Lehman Plan Sale Procedures if the subject contract or lease is not related to a
7 particular Project or Projects and (b) forty-five (45) days following the last sale or conveyance by the
8 Liquidating Trustee (voluntary or involuntary) of the related Project(s) if the subject contract or lease
9 relates to a particular Project or Projects. The Lehman Lenders may add any executory contract or
10 unexpired leases to these exhibits or delete any contract or lease therefrom up to and including the
11 Confirmation Date.

12 **12.2 Executory Contracts Being Rejected.**

13 All executory contracts and unexpired leases of the Plan Debtors' Estates not listed on
14 **Exhibit "A"** to the Lehman Plan, as is or as amended prior to the Confirmation Date, and not
15 previously rejected, are rejected under the Lehman Plan as of the Confirmation Date. All executory
16 contracts and unexpired leases of the Plan Debtors' Estates that are listed on **Exhibit "A"** to the
17 Lehman Plan that are not assumed or assumed and assigned within the deadlines set forth in the Plan
18 are automatically rejected after such deadline has expired.

19 **12.3 Retention of Property Rights by Lehman Nominees or Liquidating Trustee.**

20 To the extent that a matter that provides the Plan Debtors or their Estates with
21 property rights does not constitute an executory contract or unexpired lease, or the Plan Debtors have
22 obtained property rights under the executed portion of an executory contract or unexpired lease,
23 rejection shall not constitute an abandonment by the Plan Debtors, the Lehman Nominees or the
24 Liquidating Trustee of any such property rights.

25 **12.4 Bar Date for Rejection Damages.**

26 Any Claim arising out of the rejection of an executory contract or unexpired lease
27 shall be forever barred and shall not be enforceable against the Plan Debtors, their Estates, the
28 Liquidating Trustee, their Affiliates, their successors, or their properties, and shall not be entitled to

any distribution under the Lehman Plan, unless a Proof of Claim for such Claim is timely Filed and served. For rejections occurring prior to Confirmation, such Claims must have been Filed by the later of March 31, 2009 or thirty (30) days following the date of entry of the order of the Bankruptcy Court approving rejection. For Claims related to executory contracts or unexpired leases not listed on **Exhibit "A"** to the Lehman Plan that are rejected under the Plan, such Claim must have been Filed and served on the Plan Debtors (if before the Effective Date) or the Liquidating Trustee and Lehman Creditors (if after the Effective Date) within thirty (30) days after the Confirmation Date. For Claims related to executed contracts or unexpired leases listed on **Exhibit "A"** to the Lehman Plan that are rejected under or in accordance with the Plan, such Claim must have been Filed and served on the Liquidating Trustee and Lehman Creditors within thirty (30) days after receipt by the non-debtor party to the contract or lease of a notice of the rejection of the contract or lease.

XIII.

BEST INTEREST OF CREDITORS TEST

Pursuant to Section 1129(a)(7) of the Bankruptcy Code, a plan cannot be confirmed unless the Bankruptcy Court determines that Distributions under the Lehman Plan to all Holders of Claims and Interests who have not accepted the Lehman Plan and whose Claims are classified in Classes that are impaired under the Lehman Plan, are not less than those which they would receive in a liquidation under Chapter 7 of the Bankruptcy Code (referenced herein as the "Best Interests Test").

The Best Interests Test must be satisfied even if the Lehman Plan is accepted by each impaired Class of Claims and if any Holder of an Allowed Claim objects to the Lehman Plan on such basis. The Best Interests Test requires the Bankruptcy Court to find either that (i) all Holders of Claims in an impaired Class of Claims have accepted the Lehman Plan, or (ii) the Lehman Plan provides each Holder of Allowed Claims of an impaired Class who has not accepted the Lehman Plan with a recovery of property of a value, as of the effective date of the Lehman Plan, that is not less than the amount that such Holder would receive if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code.

The Lehman Plan contemplates the orderly sale and liquidation by the Liquidating

1 Trustee (nominated by the Committees) of all of the Remaining Real Estate Projects pursuant to the
2 Lehman Plan Sale or Foreclosure Procedures. As more fully set forth in Section 9.7.2(a)(iv), the
3 Lehman Lenders are making Initial Bids for most of the Remaining Real Estate Projects which bids
4 are in all cases equal to the appraised values obtained by the Lehman Lenders and set forth at
5 Section 3.4 herein. In certain other cases (where either the Lehman Lenders Liens are subject to a
6 Cross-Collateralization Claim or the Lehman Lenders have a Lien on the equity interest of the entity
7 that owns a particular Remaining Real Estate Project, rather than the Project itself), the Lehman
8 Lenders are making Contingent Bids based upon the Debtors' value estimates as set forth in
9 Section 3.4 herein. The Lehman Plan Sale or Foreclosure Procedures are designed to enable the
10 Liquidating Trustee to obtain the highest and best value for the Remaining Real Estates Asset, within
11 a reasonably practicable period of time. Given that the Initial Bids are in all cases higher than the
12 Debtors' estimate of value for the Remaining Real Estate Projects and given the possibility that other
13 third-party bidders may present bids that are higher and better than the Initial Bids (or, if applicable,
14 the Contingent Bids), there is no reason to believe that the Lehman Plan Sale or Foreclosure
15 Procedures will generate less of a recovery to the Estates and their Creditors than a hypothetical
16 Chapter 7 liquidation as of the Effective Date of the Lehman Plan.

17 Further, as more fully set forth at page 130 of the Elieff Disclosure Statement, the
18 Debtors believe that with the exception of Creditors of Seven Brothers, Kirby Estates, SunCal
19 Beaumont and SunCal Johansson (whose Allowed Unsecured Claims have been estimated by the
20 Debtors to equal \$60,288; \$1,744; \$626,545; and \$150,388, respectively), if the Equitable
21 Subordination Claims are unsuccessful, none of the Creditors of any of the Debtors will receive any
22 recovery in a Chapter 7 liquidation.

23 Based upon both the Debtors' opinion of value and, where available, the Lehman
24 Lenders' appraised values, a liquidation of the respective Assets of Seven Brothers, Kirby Estates,
25 SunCal Beaumont and SunCal Johansson should provide more than enough net proceeds to satisfy
26 in full the estimated general unsecured claims against the Debtors under the Lehman Plan. Further,
27 the Holders of Allowed ES Claims are estimated to receive a distribution of at least approximately
28 6.6% under the Lehman Plan, more than they would receive in a Chapter 7 liquidation. Furthermore,

1 confirmation of the Lehman Plan is not likely to be followed by the liquidation or the need for
2 further financial reorganization. This requirement is imposed by Section 1129(a)(11) of the
3 Bankruptcy Code and is generally referred to as the “feasibility” requirement. The Lehman
4 Creditors are consenting to the use of their Cash Collateral held with the Debtors, and the Lehman
5 Lenders are making an additional loan commitment of \$5 million in order to fund, confirm and
6 implement the Lehman Plan. The Debtors have estimated that there are at least \$6.5 million of
7 Administrative Claims and Priority Claims which will need to be satisfied on, or in connection with,
8 confirmation of any plan of reorganization of the Debtors. The Lehman Lenders believe that the
9 combination of Cash Collateral and the Lehman Post-Confirmation Loan will provide more than
10 adequate funds for the Lehman Plan to become effective and to be implemented.

11 **XV.**

12 **EFFECT OF CONFIRMATION OF THE LEHMAN PLAN**

13 Except as otherwise expressly provided in the Lehman Plan, the documents executed
14 pursuant to the Lehman Plan, or the Confirmation Order, on and after the Effective Date, all Persons
15 and Entities who have held, currently hold, or may hold a debt, Claim, or Interest against the Plan
16 Debtors (including but not limited to States and other governmental units, and any State official,
17 employee, or other entity acting in an individual or official capacity on behalf of any State or other
18 governmental units) shall be permanently enjoined from: (a) taking any of the following actions on
19 account of any such debt, Claim, or Interest: (1) commencing or continuing in any manner any
20 action or other proceeding against the Plan Debtors and the Liquidating Trustee, their successors, or
21 their property; (2) enforcing, attaching, executing, collecting, or recovering in any manner any
22 judgment, award, decree, or order against the Plan Debtors or the Liquidating Trustee, their
23 successors, or their property; (3) creating, perfecting, or enforcing any Lien or encumbrance against
24 the Plan Debtors or the Liquidating Trustee, their successors, or their property; (4) asserting any set
25 off, right of subrogation, or recoupment of any kind against any obligation due the Plan Debtors or
26 the Liquidating Trustee, their successors, or their property; and (5) commencing or continuing any
27 action, in any manner, in any place that does not comply with or is inconsistent with the provisions
28 of the Lehman Plan; and (b) taking any of the following actions on account of any Claims or rights

1 of action that are revested in, or transferred to, the Liquidating Trustee as of the Effective Date or
2 under the Lehman Plan (to the extent one or more Plan Debtors' Estates first held such claim or
3 rights of action or held the right to assert such claim or right of action after the Petition Date),
4 including, without limitation: (1) asserting such Claims or rights of action against nondebtor third
5 parties; and (2) commencing or continuing in any manner any action or other proceeding of any kind
6 with respect to such claims or rights of action. Any person or entity injured by any willful violation
7 of such injunction shall recover actual damages, including costs and attorneys' fees, and, in
8 appropriate circumstances, may recover punitive damages from the willful violator.

9 **XVI.**

10 **LIMITATION OF LIABILITY**

11 **16.1 No Liability for Solicitation or Participation.**

12 As specified in Section 1125(e) of the Bankruptcy Code, entities that solicit
13 acceptances or rejections of the Lehman Plan and/or that participate in the offer, issuance, sale, or
14 purchase of securities offered or sold under the Lehman Plan, in good faith and in compliance with
15 the applicable provisions of the Bankruptcy Code, shall not be liable, on account of such solicitation
16 or participation, for violation of any applicable law, rule, or regulation governing the solicitation of
17 acceptances or rejections of the Lehman Plan or the offer, issuance, sale, or purchase of securities.

18 **16.2 Limitation of Liability.**

19 Effective as of the Effective Date, none of the Liquidating Trustee, the Lehman
20 Related Parties or their respective Affiliates, nor any of their respective members, officers, directors,
21 employees and other agents, advisors, attorneys and accountants shall have or incur any liability to
22 any Holder of any Claim or Interest or any other Person for any act or omission in connection with
23 or arising out of the negotiation, preparation and pursuit of confirmation of the Lehman Plan, the
24 Lehman Disclosure Statement, the consummation of the Lehman Plan, the administration of the
25 Lehman Plan, the Cases or the property to be distributed under the Lehman Plan except: (a) the
26 Liquidating Trustee shall be liable contractually for the performance of obligations assumed or
27 imposed under or by the Lehman Plan; (b) for liability based on willful misconduct as finally
28 determined by a Final Order of the Bankruptcy Court; and (c) for gross negligence in connection

1 with implementing the Distribution provisions of the Lehman Plan and the making or withholding of
2 Distributions pursuant to the Lehman Plan. Each of the Liquidating Trustee, Lehman Related Parties
3 and their respective Affiliates, and each of their respective officers, directors, employees and other
4 agents, advisors, attorneys and accountants) shall be entitled to rely, in every respect, upon the
5 advice of counsel with respect to their duties and responsibilities under or with respect to the
6 Lehman Plan.

7 **XVII.**

8 **CONDITIONS TO CONFIRMATION AND**
9 **EFFECTIVENESS OF THE LEHMAN PLAN**

10 **17.1 Conditions Precedent to Plan Confirmation.**

11 The condition precedent to Confirmation is the Bankruptcy Court's entry of the
12 Confirmation Order.

13 **17.2 Conditions Precedent to Plan Effectiveness.**

14 The following shall be conditions precedent to the effectiveness of the Lehman Plan
15 and the occurrence of the Effective Date.

16 (a) The Confirmation Order shall be a Final Order in form and substance
17 reasonably satisfactory to the Lehman Lenders.

18 (b) All agreements and instruments contemplated by, or to be entered into
19 pursuant to, the Lehman Plan, including, without limitation, each of the documents necessary for
20 consummation of the Lehman Plan, shall have been duly and validly executed and delivered by the
21 parties thereto and all conditions to their effectiveness shall have been satisfied or waived other than
22 the occurrence of the Effective Date.

23
24
25 **XVIII.**

26 **RETENTION OF JURISDICTION**

27 Notwithstanding the entry of the Confirmation Order or the occurrence of the
28 Effective Date, the Bankruptcy Court shall not be limited under the Lehman Plan and the

1 Bankruptcy Court's jurisdiction shall apply to the fullest extent possible under applicable law.

2 **XIX.**

3 **MODIFICATION OF PLAN**

4 **19.1 Modification of Plan.**

5 At any time prior to confirmation of the Lehman Plan, the Lehman Lenders may
6 supplement, amend or modify the Lehman Plan. After confirmation of the Lehman Plan, the Lehman
7 Lenders or Liquidating Trustee with the consent of the Lehman Lenders may (x) apply to the
8 Bankruptcy Court, pursuant to Section 1127 of the Bankruptcy Code, to modify the Lehman Plan;
9 and (y) apply to the Bankruptcy Court to remedy defects or omissions in the Lehman Plan or to
10 reconcile inconsistencies in the Lehman Plan.

11 **19.2 Nonconsensual Confirmation.**

12 In the event that any impaired Class of Claims or Interests shall fail to accept the
13 Lehman Plan in accordance with Section 1129(a)(8) of the Bankruptcy Code, Lehman Proponents (i)
14 may request that the Bankruptcy Court confirm the Lehman Plan in accordance with Section 1129(b)
15 of the Bankruptcy Code, and (ii) in accordance with the Lehman Plan, and may modify the Lehman
16 Plan in accordance with Section 1127(a) of the Bankruptcy Code.

17 **XX.**

18 **MISCELLANEOUS**

19 **20.1 Payment of Statutory Fees.**

20 All quarterly fees due and payable to the Office of the United States Trustee pursuant
21 to Section 1930(a)(6) of Title 28 of the United States Code with respect to the Plan Debtors shall be
22 paid in full on or before the Effective Date, or, to the extent such quarterly fees are disputed, an
23 adequate reserve shall have been established and set aside for payment in full thereof, as required by
24 Section 1129(a)(12) of the Bankruptcy Code. The Liquidating Trustee shall remain responsible for
25 timely payment of quarterly fees due and payable after the Effective Date with respect to the Plan
26 Debtors until each applicable Plan Debtor's Case is closed, to the extent required by Section
27 1930(a)(6) of Title 28 of the United States Code.

28 **20.2 Payment Dates.**

1 Whenever any payment or distribution to be made under the Lehman Plan shall be
2 due on a day other than a Business Day, such payment or distribution shall instead be made, without
3 interest, on the immediately following Business Day.

4 **20.3 Headings.**

5 The headings used in the Lehman Disclosure Statement and in the Lehman Plan are
6 inserted for convenience only and neither constitutes a portion of the Lehman Disclosure Statement
7 or the Lehman Plan nor in any manner affect the construction of the provisions of the Lehman
8 Disclosure Statement or the Lehman Plan.

9 **20.4 Other Documents and Actions.**

10 The Liquidating Trustee may execute such other documents and take such other
11 actions as may be necessary or appropriate to effectuate the transactions contemplated under the
12 Lehman Plan.

13 **20.5 Notices.**

14 All notices and requests in connection with the Lehman Disclosure Statement and the
15 Lehman Plan shall be in writing and shall be hand delivered or sent by mail addressed to:

16 Edward Soto, Esq.
17 Nellie P. Camerik, Esq.
18 Weil, Gotshal & Manges LLP
19 1395 Brickell Avenue
20 Suite 1200
21 Miami, FL 33131

22 and

23 Shai Y. Waisman, Esq.
24 Weil, Gotshal & Manges LLP
25 767 Fifth Avenue
26 New York, NY 10153-0119

With copies to:

27 Richard M. Pachulski, Esq.
28 Dean A. Ziehl, Esq.
Robert B. Orgel, Esq.
Pachulski Stang Ziehl & Jones LLP
10100 Santa Monica Blvd., 11th Fl.
Los Angeles, CA 90067

All notices and requests to any Person holding of record any Claim or Interest shall be sent to them at their last known address or to the last known address of their attorney of record. Any

1 such Person may designate in writing any other address for purposes of this Section, which
2 designation will be effective on receipt.

3 **20.6 Governing Law.**

4 Unless a rule of law or procedure is supplied by federal law (including the
5 Bankruptcy Code and Bankruptcy Rules), the laws of the State of California (without reference to its
6 conflict of law rules) shall govern the construction and implementation of the Lehman Plan and any
7 agreements, documents, and instruments executed in connection with the Lehman Plan, unless
8 otherwise specifically provided in such agreements, documents, or instruments.

9 **20.7 Binding Effect.**

10 The Lehman Plan and all rights, duties and obligations thereunder shall be binding
11 upon and inure to the benefit of the Lehman Creditors, the Plan Debtors, the Liquidating Trustee,
12 Holders of Claims, Holders of Interests, and their respective successors and assigns.

13 **20.8 Successors and Assigns.**

14 The rights, benefits, and obligations of any entity named or referred to in the Lehman
15 Plan shall be binding on, and shall inure to the benefit of, the heirs, executors, administrators,
16 successors, and assigns of such entity.

17 **20.9 Severability of Plan Provisions.**

18 If, prior to the Confirmation Date, any term or provision of the Lehman Plan is held
19 by the Bankruptcy Court to be illegal, impermissible, invalid, void or unenforceable, or otherwise to
20 constitute grounds for denying confirmation of the Lehman Plan, the Bankruptcy Court shall, with
21 the consent of the Lehman Proponents, have the power to interpret, modify or delete such term or
22 provision (or portions thereof) to make it valid or enforceable to the maximum extent practicable,
23 consistent with the original purpose of the term or provision held to be invalid, void or
24 unenforceable, and such term or provision shall then be operative as interpreted, modified or deleted.
25 Notwithstanding any such interpretation, modification or deletion, the remainder of the terms and
26 provisions of the Lehman Plan shall in no way be affected, impaired or invalidated by such
27 interpretation, modification or deletion.

28 **20.10 No Waiver.**

1 The failure of the Plan Debtors, Liquidating Trustee, Committee or Lehman Lenders
2 or any other Person to object to any Claim for purposes of voting shall not be deemed a waiver of the
3 Committee(s)', the Plan Debtors', the Liquidating Trustee's or the Lehman Lenders' right to object
4 to or examine such Claim, in whole or in part.

5 **20.11 Inconsistencies.**

6 In the event the terms or provisions of the Lehman Disclosure Statement are
7 inconsistent with the terms and provisions of the Lehman Plan or documents executed in connection
8 with the Lehman Plan, the terms of the Lehman Plan shall control.

9 **20.12 Exemption from Certain Transfer Taxes and Recording Fees.**

10 Pursuant to Section 1146(c) of the Bankruptcy Code, any transfers from a Plan Debtor
11 or its Estate to the Liquidating Trustee or to any other Person or entity pursuant to the Lehman Plan,
12 or any agreement regarding the transfer of title to or ownership of any of the Plan Debtors' real or
13 personal property or of any other interest in such property (including, without limitation, a security
14 interest), including, without limitation, transfers or sales pursuant to the Lehman Plan Sale or
15 Foreclosure Procedures or Reconveyance Agreements will not be subject to any document recording
16 tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate
17 transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, or other
18 similar tax or governmental assessment, and the Confirmation Order will direct the appropriate state
19 or local governmental officials or agents to forego the collection of any such tax or governmental
20 assessment and to accept for filing and recordation any of the foregoing instruments or other
21 documents without the payment of any such tax or governmental assessment.

22 **20.13 Post-Confirmation Status Report.**

23 By the earlier of 180 days following the entry of the Confirmation Order a status
24 report shall be Filed with the Court explaining what progress has been made toward consummation
25 of the confirmed Plan, which report shall be Filed by the Liquidating Trustee, if the Effective Date
26 occurs with 120 days following the entry of the Confirmation Order and, otherwise, by the Lehman
27 Lenders. The status report shall be served on the United States Trustee, the list of twenty largest
28 unsecured creditors Filed by the Debtors or Trustee for the jointly administered Cases of the

Debtors, the Lehman Creditors, the Liquidating Trustee and those parties who have requested special notice. Unless otherwise ordered, further status reports shall be Filed every 180 days and served on the same entities.

20.14 Post-Confirmation Conversion/Dismissal.

A creditor or party in interest may bring a motion to convert or dismiss any Case of a Plan Debtor under § 1112(b), after the Lehman Plan is confirmed, if there is a default in performing the Lehman Plan, subject to the right of any party in interest to object to such motion. If the Court orders any of the Cases converted to Chapter 7 after the Lehman Plan is confirmed, then all property that had been property of the Chapter 11 estate, and that has not been disbursed pursuant to the Lehman Plan, will revert in the Chapter 7 estate. The automatic stay will be reimposed upon the revested property, but only to the extent that relief from stay was not previously authorized by the Court during this case.

20.15 Final Decree.

Once a Plan Debtor's Estate has been fully administered, as referred to in Bankruptcy Rule 3022, the Liquidating Trustee, or other party as the Court shall designate in the Confirmation Order, shall File a motion with the Court to obtain a final decree to close the Case of such Plan Debtor.

XXI.

CERTAIN UNITED STATES FEDERAL INCOME TAX

CONSEQUENCES OF THE LEHMAN PLAN

The following discussion summarizes certain United States federal income tax consequences of the implementation of the Lehman Plan to certain Holders of Claims. The following summary does not address the United States federal income tax consequences to (i) Holders of Claims who are unimpaired or otherwise entitled to payment in full in Cash under the Lehman Plan or (ii) Holders of Interests as they are deemed to reject the Plan.

The following summary is based on the Internal Revenue Code of 1986 and all rules and treasury regulations promulgated thereunder ("Tax Code"), judicial decisions, and published administrative rules and pronouncements of the Internal Revenue Service ("IRS"), all as in effect on

1 the date hereof. Changes in such rules or new interpretations thereof may have retroactive effect and
2 could significantly affect the United States federal income tax consequences described below.

3 The United States federal income tax consequences of the Lehman Plan are complex
4 and are subject to significant uncertainties. The Lehman Proponents have not requested a ruling
5 from the IRS or an opinion of counsel with respect to any of the tax aspects of the Lehman Plan.
6 Thus, no assurance can be given as to whether the IRS will successfully assert alternative positions
7 from those set forth herein or the interpretation that the IRS will adopt. In addition, this summary
8 generally does not address foreign, state or local tax consequences of the Lehman Plan, nor does it
9 address the United States federal alternative minimum or federal income tax consequences of the
10 Lehman Plan to special classes of taxpayers (such as foreign taxpayers, broker-dealers, banks,
11 mutual funds, insurance companies, other financial institutions, small business investment
12 companies, regulated investment companies, tax-exempt organizations (including, without
13 limitation, certain pension funds), persons holding a Claim as part of a constructive sale, straddle or
14 other integrated transaction, and investors in pass-through entities, including partnerships). If a
15 partnership (or other entity taxed as a partnership) holds a Claim, the tax treatment of a partner in the
16 partnership will generally depend upon the status of the partner and upon the activities of the
17 partnership.

18 *Accordingly, the following summary of certain United States federal income tax*
19 *consequences is for informational purposes only and is not a substitute for careful tax planning*
20 *and advice based upon the individual circumstances pertaining to a holder of a Claim.*

21 **IRS Circular 230 Notice:** *To ensure compliance with IRS Circular 230, Holders of*
22 *Claims are hereby notified that: (a) any discussion of United States federal tax issues contained*
23 *or referred to in this Disclosure Statement is not intended or written to be used, and cannot be*
24 *used, by holders of Claims for the purpose of avoiding penalties that may be imposed on them*
25 *under the Tax Code; (b) such discussion is written in connection with the promotion or marketing*
26 *by the Lehman Proponents of the transactions or matters addressed herein; and (c) holders of*
27 *Claims should seek advice based on their particular circumstances from an independent tax*
28 *advisor.*

**21.1 Consequences to Holders of Lehman Secured Claims and Danske Bank
Secured Claims**

Pursuant to the Lehman Plan, the Holders of Lehman Secured Claims and Danske Bank Secured Claims will either receive Cash or property (including Remaining Real Estate Projects conveyed to the Holders of such Claims or one or more Lehman Nominees in consideration of a successful credit bid) in satisfaction of their Claims.

In general, each Holder of such a Claim should recognize gain or loss in an amount equal to the difference between (x) the amount of cash and the fair market value of other property received by the Holder in satisfaction of its Claim (other than any Claim for accrued but unpaid interest and other than any amount treated as imputed interest as further discussed below) and (y) the holder's adjusted tax basis in its Claim (other than any basis attributable to accrued but unpaid interest but including any basis such holder has as a result of a transfer by a Lehman Related Party of new Cash to fund a Lehman Post-Confirmation Loan).

Distributions to such holders may be made subsequent to the Effective Date. Under the Tax Code, a portion of each distribution to such Holders may be treated as imputed interest. In addition, it is possible that any loss and a portion of any gain realized by such holder may be deferred until such time as such Holder has received its final distribution. All Holders of such Claims should consult their tax advisors as to tax consequences of distributions subsequent to the Effective Date.

A Holder's initial tax basis in any Remaining Real Estate Projects conveyed should equal the fair market value thereof. Gain or loss recognized by a holder on the sale, exchange or other disposition of the Remaining Real Estate Projects will equal the difference, if any, between the amount realized by the holder and the holder's adjusted tax basis in the Remaining Real Estate Projects immediately before the sale, exchange or other disposition. Any such gain or loss will be long-term if the holder's holding period for the Remaining Real Estate Project is more than one year at that time. A holder's holding period for any conveyed Remaining Real Estate Projects generally should begin the day following the day that it is conveyed to the holder. Depending upon the facts at the time, such gain or loss may be capital or may be "Section 1231 Gain" or "Section 1231 Loss."

1 The discussion in this paragraph is premised upon the holder being considered the owner of a
2 Remaining Real Estate Project for federal income tax purposes. There is some uncertainty to this
3 position to the extent the Remaining Real Estate Projects are subject to the PRA Recovery Deeds of
4 Trust. Holders of Remaining Real Estate Projects should consult their own tax advisors as to the tax
5 consequences of the receipt, holding and disposition of Remaining Real Estate Projects.

6 In addition, as described in Section VII of the Plan, an amount of Cash, up to the
7 Maximum PRA Recovery Amount, will be deposited from time to time into the Plan Reserve.
8 Although there may be alternative characterizations of such funds for federal income tax purposes,
9 the applicable Holders of Lehman Secured Claims will treat all such amounts as having been
10 received by them for all applicable federal income tax purposes. Thus, the applicable Holders of
11 Lehman Secured Claims should include all such amounts as having been received by them in their
12 calculation of gain or loss described above. In addition, the applicable Holders of Lehman Secured
13 Claims should include in their gross income all income earned by the Plan Reserve. Upon a
14 distribution of any amounts from the Plan Reserve to the Holders of Allowed ES Claims, the
15 applicable Holder of a Lehman Secured Claim should recognize a loss equal to the amount so
16 distributed. The Holder of a Lehman Secured Claim should consult its own tax advisor regarding
17 the character of such loss.

18 **21.2 Consequences to Holders of General Unsecured Claims.**

19 Pursuant to the Lehman Plan, as soon as reasonably practicable, the Liquidating
20 Trustee will distribute Residual Cash, if any, Pro Rata to the Holders of Allowed General Unsecured
21 Claims and Allowed ES Claims in satisfaction and discharge of their Claims. In addition, each
22 Holder of an Allowed ES Claim shall receive (a) if the Holder votes to accept, the ES Settlement
23 Offer (or if there is Estate Acceptance of the ES Settlement for the Estate against which the Allowed
24 ES Claim is asserted and the Holder returns with its Ballot or to the Lehman Lenders a duly executed
25 ES Claimant Release and Assignment, an ES Pro Rata Settlement Payment to be paid as soon as
26 reasonably practicable after the later of (i) the Effective Date and (ii) final allowance of such Claim
27 and (b) if the Holder does not vote to accept the ES Settlement Offer (and there is not Estate
28 Acceptance of the ES Settlement for the Estate against which the Allowed ES Claim is asserted), the

benefits, if any, of the Equitable Subordination Claims as determined by the Bankruptcy Court in connection with an ES Action, as and when available.

In general, each Holder of such a Claim should recognize gain or loss in an amount equal to the difference between (x) the amount of Cash received by the holder in satisfaction of its Claim (other than any Claim for accrued but unpaid interest and other than any amount treated as imputed interest as further discussed below) whether received pursuant to the Lehman Plan, and (y) the Holder's adjusted tax basis in its Claim (other than any basis attributable to accrued but unpaid interest).

Distributions to such Holders will be made subsequent to the Effective Date. Under the Tax Code, a portion of each distribution to such Holders may be treated as imputed interest. In addition, it is possible that any loss and a portion of any gain realized by such Holder may be deferred until such time as such Holder has received its final distribution whether received by the Holder pursuant to the Lehman Plan. All Holders of such Claims should consult their tax advisors as to tax consequences of distributions subsequent to the Effective Date.

21.3 Distributions in Discharge of Accrued but Unpaid Interest.

Pursuant to the Lehman Plan, distributions to any holder of Allowed Claims will be allocated first to the principal amount of such Claims, as determined for federal income tax purposes, and thereafter, to the portion of such Claim, if any, representing accrued but unpaid interest or original issue discount ("OID"). However, there is no assurance that the IRS would respect such allocation for federal income tax purposes.

In general, to the extent that any consideration received pursuant to the Lehman Plan by a Holder of an Allowed Claim is received in satisfaction of accrued interest or OID during its holding period, such amount will be taxable to the holder as interest income (if not previously included in the holder's gross income). Conversely, a holder generally recognizes a deductible loss to the extent any accrued interest claimed or amortized OID was previously included in its gross income and is not paid in full. However, the IRS has privately ruled that a holder of a security of a corporate issuer, in an otherwise tax-free exchange, could not claim a current deduction with respect to any unpaid OID. Accordingly it is also unclear whether, by analogy, a holder of a Claim of a non-

1 corporate issuer would be required to recognize a capital loss, rather than an ordinary loss, with
2 respect to previously included OID that is not paid in full.

3 Each holder of a Claim is urged to consult its tax advisor regarding the allocation of
4 consideration and the deductibility of accrued but unpaid interest for federal income tax purposes.

5 **21.4 Character of Gain or Loss**

6 Where gain or loss is recognized by a Holder of such a Claim, the character of such
7 gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be
8 determined by a number of factors, including, among others, the tax status of the holder (including
9 method of accounting), whether the Claim constitutes a capital asset in the hands of the holder,
10 whether the Claim arose in connection with the provision of services by the holder and how long it
11 has been held, whether the Claim was acquired at a market discount, and whether and to what extent
12 the holder previously had claimed a bad debt deduction.

13 **21.5 Information Reporting and Withholding**

14 All distributions to holders of Allowed Claims under the Lehman Plan are subject to
15 any applicable tax withholding. Under United States federal income tax law, interest, dividends, and
16 other reportable payments may, under certain circumstances, be subject to “backup withholding” at
17 the then applicable withholding rate (currently 28%). Backup withholding generally applies if the
18 holder (a) fails to furnish its social security number or other taxpayer identification number (“TIN”),
19 (b) furnishes an incorrect TIN, (c) fails properly to report interest or dividends, or (d) under certain
20 circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN
21 provided is its correct number and that it is a United States person that is not subject to backup
22 withholding. Backup withholding is not an additional tax but merely an advance payment, which
23 may be refunded by the IRS to the extent it results in an overpayment of tax and the appropriate
24 information is timely supplied to the IRS. Certain persons are exempt from backup withholding,
25 including, in certain circumstances, corporations and financial institutions.

26 In addition, from an information reporting perspective, Treasury Regulations
27 generally require disclosure by a taxpayer on its United States federal income tax return of certain
28 types of transactions in which the taxpayer participated, including, among other types of

1 transactions, certain transactions that result in the taxpayer's claiming a loss in excess of specified
2 thresholds. Holders are urged to consult their tax advisors regarding these regulations and whether
3 the transactions contemplated by the Plan would be subject to these regulations and require
4 disclosure on the holders' tax returns.

5 *The foregoing summary has been provided for informational purposes only. All*
6 *holders of Claims receiving a distribution under the Plan are urged to consult their tax advisors*
7 *concerning the United States federal, state and local and foreign tax consequences applicable under*
8 *the Plan.*

9 **XXII.**

10 **CONCLUSION**

11 For all of the reasons stated in Article V of this Lehman Disclosure Statement, the
12 Elieff Plan is unlikely to be confirmed and is dependent for its success and feasibility on the
13 successful prosecution of the ES Action, which (as more fully set forth in Section 4.5 of this Lehman
14 Disclosure Statement) the Lehman Lenders believe is wholly without merit. Indeed, as the Elieff
15 Plan Proponents concede in the Elieff Disclosure Statement (at page 132): "The feasibility of a
16 distribution to creditors other than each Debtor's senior creditors is dependent on the Debtors' ability
17 to prevail in the [ES Action]."

18 The Lehman Plan, on the other hand, provides for: an orderly disposition of the
19 Remaining Real Estate Assets; a settlement proposal to the Holders of Allowed ES Claims that is
20 likely to result in a distribution of at least 6.6% on account of such Allowed ES Claims; adequate
21 funding for the Lehman Plan to become effective and to be implemented; and a litigation fund and
22 recovery mechanism for the continued prosecution of the Equitable Subordination Claims in the ES
23 Action after the Effective Date on behalf of ES Claimants who have either not accepted, nor are
24 deemed to have accepted, the ES Settlement Offer. Further, the Lehman Proponents believe that the
25 risk that the Lehman Plan will not be confirmed is substantially less than the confirmation risk
26 associated with the Elieff Plan.

27 The Lehman Proponents contend that the Lehman Plan provides a faster and higher
28 recovery to Creditors (especially the holders of Allowed ES Claims) than the alternatives offered

1 either by the Elieff Plan or a Chapter 7 liquidation of the Debtors' Estates. Accordingly, the Lehman
2 Proponents urge Creditors entitled to vote with respect to the Lehman Plan to vote for its acceptance
3 and, further, urge the holders of ES Claims to accept ES Settlement Offer when returning their
4 Ballots on the Lehman Plan.

5 Dated: October 13, 2009

PACHULSKI STANG ZIEHL & JONES LLP

6
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APPENDIX "A"

DEFINITIONS AND RULES OF INTERPRETATION

1. Definitions.

The following defined terms are used in the Lehman Plan. Any capitalized term that is not defined herein, but is defined in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning ascribed to that term in the Bankruptcy Code or the Bankruptcy Rules. Other capitalized terms not defined in this Appendix "A" are defined in the body of the Lehman Disclosure Statement.

10000 Santa Monica Project. The Project owned by SunCal Century City, located in Century City, California.

Acquisitions. SCC Acquisitions, Inc., a California corporation, and the Debtors' indirect parent, but not a Debtor in any of the Cases.

Acton Estates. Acton Estates, LLC, a Delaware limited liability, a Voluntary Debtor in these Cases, and the owner of the Acton Project.

Acton Project. The Project owned by Acton Estates, located in Los Angeles County, California, as more particularly described in **Exhibit "B"** to the Lehman Plan.

Administrative Claim(s). Any Claim against a Plan Debtor incurred after the applicable Petition Date for such Plan Debtor but before the Confirmation Date for any cost or expense of administration of the Cases of the Plan Debtors entitled to priority under Section 507(a)(2) or (3) of the Bankruptcy Code, including, without limitation, any fees or charges assessed against the Estates of the Plan Debtors under Section 1930 of Title 28 of the United States Code.

Administrative Claim Bar Date. The General Administrative Claim Bar Date and the Administrative Tax Claim Bar Date.

Administrative Tax Claim(s). A request for payment of an Administrative Claim by a governmental unit for Taxes (or for interest or penalties related to such Taxes) for any tax year or period, all or any portion of which occurs or falls within the period from and including the applicable Petition Date through and including the Effective Date.

Administrative Tax Claim Bar Date. The earlier of (a) any bar date otherwise established by the Bankruptcy Court or (b) on or before the later of (i) sixty (60) days following the Effective

1 Date; and (ii) 180 days following the filing of the tax return for such taxes for such tax year or period
2 with the applicable governmental unit.

3 **Affiliate.** As to any Person, any other Person that directly or indirectly owns or controls, is
4 owned or controlled by, or is under common ownership or control with, such Person. The term
5 "control" (including, with correlative meanings, the terms "controlled by" and "under common
6 control with"), as applied to any Person, means the possession, direct or indirect, of the power to
7 direct or cause the direction of the management and policies of such Person, whether through the
8 ownership of voting securities or other equity ownership interest, by contract or otherwise; provided
9 that as to any Lehman Related Party, the term "Affiliate" does not include any Debtor.

10 **Allowed.** This term is used both separately and in conjunction with other defined terms in
11 the Lehman Plan (*e.g.*, Allowed Tax Claims) and means:

12 (i) with respect to any Administrative Claim: (1) if the Claim is based
13 upon a Fee Application, an unsecured Claim in the amount of such Fee Application that has been
14 approved by a Final Order of the Bankruptcy Court; (2) if the Claim is based upon any indebtedness
15 or obligation incurred in the ordinary course of business of the Plan Debtors and is not otherwise
16 subject to an Administrative Claim Bar Date, in the amount of such Claim and with a status as
17 secured or unsecured as each are asserted by such creditor and not disputed by the Liquidating
18 Trustee or the Lehman Lenders, failing which, the amount and secured or unsecured status thereof as
19 fixed by a Final Order of the Bankruptcy Court; or (3) if the Holder of such Claim was required to
20 File and has Filed proof thereof with the Bankruptcy Court prior to an Administrative Claim Bar
21 Date, (i) in the amount and with the status as secured or unsecured and in the statutory priority as
22 stated in such proof of Administrative Claim if no objection to such proof of Administrative Claim is
23 interposed within the applicable period of time, if any, fixed by the Bankruptcy Code, the Bankruptcy
24 Rules, the Bankruptcy Court or the Lehman Plan, or (ii) in the amount and with the status as secured
25 or unsecured and in the statutory priority as fixed by Final Order of the Bankruptcy Court if an
26 objection to such proof was interposed within any applicable period of time so fixed; and (4) in the
27 amount of zero, if the Holder of such Claim was required to File and has not Filed proof thereof with
28

1 the Bankruptcy Court prior to an Administrative Claim Bar Date, in which event no distribution shall
2 be made on account of such Claim; and

3 (ii) with respect to any Claim which is not an Administrative Claim: (1) if
4 no objection to such Claim was interposed by the Claims Objection Deadline, (i) if the Holder of
5 such Claim did not File proof thereof with the Bankruptcy Court on or before the Claims Bar Date,
6 in the amount of such Claim and with the status as secured or unsecured and with the statutory
7 priority as listed in the Plan Debtors' Schedules if listed as neither disputed, contingent or
8 unliquidated and (ii) if the Holder of such Claim has Filed a Proof of Claim therefor with the
9 Bankruptcy Court on or before the Claims Bar Date, in the amount and with the status as secured or
10 unsecured and in the statutory priority as stated in such Proofs of Claim; or (2) if an objection to
11 such Claim was interposed by the Claims Objection Deadline, in the amount and with the status as
12 secured or unsecured and in the statutory priority thereof as fixed by Final Order of the Bankruptcy
13 Court; and (3) if the Holder of such Claim did not File proof thereof with the Bankruptcy Court on
14 or before the Claims Bar Date, the Claim is not listed in the Plan Debtors' Schedules or is listed as
15 either disputed, contingent or unliquidated, and the Claim is not deemed Allowed under the terms of
16 this Plan, in the amount of zero and no distribution shall be made on account of such Claim; and

17 (iii) with respect to a Claim's status as an ES Claim, (1) with ES Claim
18 status if ES Claim status is alleged on the Holder's Ballot in the manner provided therefor and if no
19 objection thereto is interposed by the Claims Objection Deadline, (2) with ES Claim status if alleged
20 by the Liquidating Trustee and either (i) the Lehman Creditors and any surviving Committee consent
21 or (ii) no objection thereto is Filed by the later of the Claims Objection Deadline or seventy-five (75)
22 days after notice thereof to any surviving Committees and the Lehman Creditors or (3) as fixed by
23 Final Order of the Bankruptcy Court; and

24 (iv) with respect to any Interest, (1) if no objection to such Interest was
25 interposed within the applicable period of time fixed by the Bankruptcy Code, the Bankruptcy Rules,
26 the Lehman Plan or the Bankruptcy Court, (i) if the Holder of such Interest did not File proof thereof
27 with the Bankruptcy Court within the applicable period of time fixed by the Bankruptcy Code, the
28 Bankruptcy Rules, the Lehman Plan or the Bankruptcy Court, in the number, amount or percentage

of such Interest and with the nature thereof as listed in the Plan Debtors' Schedules if listed as neither disputed, contingent or unliquidated and (ii) if the Holder of such Interest has Filed a Proof of Interest therefor with the Bankruptcy Court within the applicable period of time fixed by the Bankruptcy Code, the Bankruptcy Rules, the Lehman Plan or the Bankruptcy Court, in the number, amount or percentage of such Interest and with the nature thereof as stated in such Proof of Interest, or (2) if an objection to such proof was interposed within the applicable period of time fixed by the Bankruptcy Code, the Bankruptcy Rules, the Lehman Plan or the Bankruptcy Court, in the number, amount or percentage of such Interest and nature thereof as fixed by Final Order of the Bankruptcy Court; but

(v) with respect to any Administrative Claim, Claim or Interest, the term "Allowed" does not signify whether or not such Administrative Claim, Claim or Interest has been subordinated to another Administrative Claim, Claim or Interest or is entitled to the benefits of such subordination.

Allowed Amount. The amount in which a Claim or Interest is Allowed.

Arch. Arch Insurance Company, a Bond Issuer.

Assets. All assets that are property of the Debtor(s) pursuant to Bankruptcy Code Section 541.

Available Cash. Cash held by each Plan Debtor as of the Effective Date other than Cash Collateral.

Avoidance Actions. All Claims and defenses to Claims accruing to the Plan Debtors and their Estates under Bankruptcy Code Sections 506(d), 510(c), 541, 544, 545, 547, 548, 549, 550, or 551.

Ballot. The ballot to vote to accept or reject the Lehman Plan and to vote for acceptance or rejection of the ES Settlement Offer.

Bankruptcy Code. The Bankruptcy Reform Act of 1978, as amended, as set forth in Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq., as applicable to the Cases.

Bankruptcy Court. The United States Bankruptcy Court for the Central District of California, having jurisdiction over the Cases and, to the extent of any withdrawal of the reference

1 made pursuant to Section 157 of Title 28 of the United States Code, the United States District Court
2 for the Central District of California; or, in the event such courts cease to exercise jurisdiction over
3 the Cases, such court or unit thereof that exercises jurisdiction over the Cases in lieu thereof.

4 **Bankruptcy Rules.** Collectively, as now in effect or hereafter amended and as applicable to
5 the Cases, (i) the Federal Rules of Bankruptcy Procedure, and (ii) the Local Bankruptcy Rules and
6 General Orders applicable to cases pending before the Bankruptcy Court.

7 **Beaumont Heights Project.** The Project owned by SunCal Beaumont, located in the City of
8 Beaumont, California, as more particularly described in **Exhibit “B”** to the Lehman Plan.

9 **BFP Waiver.** The waiver of the defense to the ES Action by Fenway Capital (which the
10 Bankruptcy Court determined is a Lehman Successor) that Fenway Capital is a *bona fide* purchaser
11 for value of certain applicable Lehman Loans, which waiver shall be applicable only if the Credit
12 Bid Conditions are satisfied and Fenway Capital affirmatively consents in writing to such waiver.
13 (The Lehman Lenders are exercising good faith efforts to obtain the affirmative consent in writing of
14 Fenway Capital to the BFP Waiver.)

15 **Bickford Ranch Project.** The Project owned by SunCal Bickford, located in the City of
16 Penryn, California, as more particularly described in **Exhibit “B”** to the Lehman Plan.

17 **Bickford Second Lien Loan Agreement.** That certain promissory note, dated as of May 25,
18 2005, in the maximum aggregate principal amount of approximately \$30,000,000, made by SunCal
19 Bickford, as borrower, and payable to the order of Lehman ALI, as lender. The loan made pursuant
20 to and/or evidenced by the Bickford Second Lien Loan Agreement is secured by a second priority
21 deed of trust on the Bickford Ranch Project. The outstanding balance of the loan under the Bickford
22 Second Lien Loan Agreement was not less than \$54,494,059.38 as of the applicable Petition Date.

23 **Bond Claim(s).** Any Claim against the Debtor(s) and a Bond Issuer under various payment
24 or performance bonds issued by a Bond Issuer.

25 **Bond Claimant.** Holder(s) of a Bond Claim.

26 **Bond Issuer(s).** Bond Safeguard and Arch in their capacities as issuers and sureties for
27 payment and performance bonds for the benefit of certain of the Debtors and with respect to and for
28 the benefit of the Projects owned by such Debtors.

1 **Bond Obligation(s).** The alleged obligation(s) of the Bond Obligor(s) to indemnify the
2 Bond Issuers for any payments made by the Bond Issuers to Holders of Bond Claims.

3 **Bond Obligor(s).** Obligors who are liable to a Bond Issuer for any payments made by such
4 Bond Issuer to a Bond Claimant or for performance obligations under any performance bonds issued
5 by such Bond Issuer for the benefit of any of the Debtors or their respective Projects. Arch asserts
6 that the Bond Obligors under payment and performance bonds issued by Arch for the benefit of any
7 Debtor or with respect to any Project are all of the Debtors, Acquisitions and Elieff. Bond Safeguard
8 asserts that the Bond Obligors under payment and performance bonds issued by Bond Safeguard for
9 the benefit of any Debtor or with respect to any Project are the respective Debtors for whose benefit
10 such bonds were issued, Acquisitions and Elieff.

11 **Bond Safeguard.** Bond Safeguard Insurance Company, a Bond Issuer.

12 **Business Day.** Any day, other than a Saturday, a Sunday or a "legal holiday," as defined in
13 Bankruptcy Rule 9006(a); provided that with reference to the date on which something is to be Filed,
14 it shall not include a day on which the applicable court is inaccessible for the purpose of Filing such
15 paper.

16 **Cases.** The chapter 11 cases of the Debtors pending before the Bankruptcy Court.

17 **Cash.** Currency of the United States of America and cash equivalents, including, but not
18 limited to, bank deposits, immediately available or cleared checks, drafts, wire transfers and other
19 similar forms of payment.

20 **Cash Collateral.** This term is used in reference to certain Assets of a Plan Debtor's Estate
21 with the same meaning as set forth in Bankruptcy Code Section 363(a).

22 **Claim.** A claim — as Bankruptcy Code section 101(5) defines the term "claim"— against
23 any Plan Debtor or any Plan Debtor's property, including, without limitation (a) any right to payment
24 from any of the Plan Debtors, whether or not such right is reduced to judgment, liquidated,
25 unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured,
26 or unsecured and (b) any right to an equitable remedy for breach of performance if such breach gives
27 rise to a right of payment from any of the Plan Debtors, whether or not such right to an equitable
28

remedy is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured.

Claims Bar Date. For Claims, other than Administrative Claims, the last date for Filing proofs of Claim as was established by order or orders of the Bankruptcy Court entered prior to October 11, 2009, which date was March 31, 2009 for certain Claims; provided that: (a) for Claims arising from the rejection of executory contracts or unexpired leases, the date(s) as set forth in Plan Section **Error! Reference source not found.**; (b) for Claims resulting from the successful prosecution or settlement of Avoidance Actions, the later of any otherwise applicable date under this paragraph and forty-five (45) days following entry of the Final Order determining such Avoidance Action; and (c) for Claims of governmental units, the later of any otherwise applicable date under this paragraph and 180 days after the date of the applicable order for relief under Bankruptcy Code §§ 301 or 303, as applicable.

Claims Objection Deadline. For a Claim other than an Administrative Claim and except as otherwise set forth in the Lehman Plan, the first Business Day following the one hundred and twentieth (120th) day after the later of (a) the Effective Date or (b) the applicable bar date for the Claim; provided that: (a) for the ES Claims of Settling ES Claimants, instead, the first Business Day that is at least sixty (60) days after the Effective Date; (b) upon application to the Bankruptcy Court, the Liquidating Trustee or Lehman Lenders may obtain an extension of any such deadline for up to sixty (60) days for cause shown; and (c) any deadline may be extended by agreement of the potential target of the objection and the Liquidating Trustee or a Lehman Lender.

Class. Each group of Claims or Interests classified in Article IV of the Lehman Plan pursuant to Sections 1122 and 1123 of the Bankruptcy Code.

Committees. Collectively, the Voluntary Debtors' Committee and the Trustee Debtors' Committee.

Conclusion of [ES Action, Cross-Collateralization Action(s) or Project Related Action(s)].As to the applicable action, either (a) the action has been finally resolved or determined through entry of an ES Final Judgment(s), Cross-Collateralization Final Judgment(s), Final Orders

1 settling or dismissing the actions or any combination thereof or (b) as to Cross-Collateralization
2 Actions only, the time for Filing thereof passes without any such action being Filed.

3 **Confirmation Date.** The date on which the Confirmation Order is entered in the Bankruptcy
4 Court's docket.

5 **Confirmation Order.** The order entered by the Bankruptcy Court confirming the Lehman
6 Plan in accordance with the provisions of chapter 11 of the Bankruptcy Code.

7 **Contingent Bid.** This term shall have the meaning ascribed to it in Section 9.8(a) of the
8 Plan.

9 **Contingent Lehman ALI Claims Against SJD Partners.** The Claims of Lehman ALI or
10 its assignees or successors (a) arising under the Pacific Point First Loan Agreement in the amount of
11 \$120,110,237 that is secured by the Pacific Point Project and any proceeds thereof or from its sale or
12 disposition, which is a Claim against SJD Partners and which also is a Secured Claim against SJD
13 Partners contingent upon the set aside of the Pacific Point Foreclosure and (b) arising based upon
14 Lehman ALI's prior second priority Lien under which it foreclosed through the Pacific Point
15 Foreclosure upon its Claim of approximately \$28 million, which is a Claim against SJD Partners
16 contingent upon the set aside of the Pacific Point Foreclosure.

17 **Contingent Lehman ALI Unsecured Claims Against SJD Partners.** The Contingent
18 Lehman ALI Claims Against SJD Partners that are General Unsecured Claims.

19 **Contingent Lehman ALI Secured Claim Against SJD Partners.** The Contingent Lehman
20 ALI Claim Against SJD Partners that is a Secured Claim.

21 **Credit Bid Conditions.** The conditions applicable with respect to the Guaranteed Minimum
22 Distribution and BFP Waiver that both (a) no hearing on the merits is held, and no order is issued by
23 the Bankruptcy Court with respect to the merits of, the Sales Procedures Motion or any similar
24 motion that seeks, in effect, to deny or limit the ability of any Lehman Creditor to credit bid on any
25 or all Projects, unless neither the Trustee nor any Committee Files, supports or prosecutes such
26 motion; and (b) all rights of the Lehman Creditors to credit bid are afforded to them as set forth in
27 the Plan.
28

1 **Creditor.** Any Person who is the Holder of a Claim against any Debtor that arose or accrued
2 or is deemed to have arisen or accrued or to have matured, or otherwise become due, owing, and
3 payable on or before the applicable Debtor's Petition Date, including, without limitation, Claims of
4 the kind specified in Sections 502(g), 502(h) or 502(i) of the Bankruptcy Code.

5 **Cross-Collateralization Action.** An Avoidance Action against a Lehman Related Party that
6 relates to a Cross-Collateralization Claim that is timely Filed and Filed no later than sixty (60) days
7 following the Effective Date.

8 **Cross-Collateralization Claim.** A Claim against any Lehman Creditor under state or
9 federal fraudulent transfer laws, provided: (a) it is set forth in a complaint Filed no later than sixty
10 (60) days following the Effective Date and (b) such Claim seeks to set aside a Lehman Secured
11 Claim as against a particular Plan Debtor's Estate based on the principal amount of such Lehman
12 Secured Claim against such Plan Debtor's Estate exceeding the funds alleged by the Debtors to have
13 been advanced for the subject collateral or to have directly or indirectly benefitted the applicable
14 Plan Debtor in connection with the applicable Lehman Loan.

15 **Cross-Collateralization Final Judgment.** A Cross-Collateralization Judgment represented
16 by a Final Order.

17 **Cross-Collateralization Judgment.** Any judgment in favor of the Liquidating Trustee
18 pursuant to or as a result of a Cross-Collateralization Action against a Lehman Related Party.

19 **Danske Bank.** Danske Bank A/S London Branch.

20 **Danske Secured Claim.** The Secured Claim of Danske Bank, a Lehman Successor, arising
21 from the SunCal Century City Loan Agreement.

22 **Debtor(s).** Individually or collectively, the Voluntary Debtors and the Trustee Debtors.

23 **Debtor(s)-in-Possession.** The Voluntary Debtor(s) when acting in their capacity as
24 representatives of their respective Estates in their respective Cases.

25 **Debtors' Third Amended Disclosure Statement.** The Debtors' Third Amended Joint
26 Disclosure Statement Describing Debtors' Third Amended Joint Chapter 11 Plan, dated September
27 __, 2009.
28

1 **Del Amo Project.** The Project owned by SunCal Torrance, located in the City of Torrance,
2 California, as more particularly described in **Exhibit “B”** to the Lehman Plan.

3 **Del Rio.** North Orange Del Rio Land, LLC, a Delaware limited liability company, a
4 Voluntary Debtor in these Cases, and the owner and holder of the Del Rio Rights and the Del Rio
5 CFD Bond Proceeds.

6 **Del Rio CFD Bond Proceeds.** All proceeds of those certain bonds to be designated as “City
7 of Orange, Community Facilities District No. 06-01 (Del Rio Public Improvements) 2007 Special
8 Tax Bonds” or similarly designated bonds to be issued by the City of Orange, California in
9 connection with that certain community facilities district established by the City and known as the
10 City of Orange Community Facilities District No. 06-01 (Del Rio Public Improvements).

11 **Del Rio Development Agreement.** Development Agreement, recorded on July 27, 2004 in
12 the Official Records of Orange County, California as Instrument No. 2004-000677141, as amended
13 by (i) that certain First Operating Memorandum, dated August 17, 2006, (ii) that certain Second
14 Operating Memorandum, dated December 5, 2006, (iii) that certain Operating Memorandum No. 3,
15 dated May 22, 2007, and (iv) that certain Operating Memorandum No. 4, dated July 21, 2008.

16 **Del Rio PSA.** That certain Purchase Agreement and Escrow Instruction (Del Rio) dated as
17 of June 14, 2005 by and among Del Rio, as the seller, and Lennar Homes of California and Centex
18 Homes, as the buyers, as assigned by the buyers to Lennar Centex Del Rio Partners, LLC per that
19 certain Assignment of Purchase Agreement and Escrow Instructions dated as of November 14, 2005,
20 as amended by that certain First Amendment to Purchase Agreement and Escrow Instructions (Del
21 Rio) and that certain Second Amendment to Purchase Agreement and Escrow Instructions (Del Rio)
22 dated as of January 30, 2007.

23 **Del Rio Rights.** Collectively, (i) all right, title and interest of Del Rio, as developer or in any
24 other capacity, in, to, under or pursuant to the Del Rio Development Agreement including, without
25 limitation, all any and all Del Rio CFD Bond Proceeds, and (ii) all right, title and interest of Del Rio,
26 as seller, under the Del Rio PSA including, without limitation, all profit participation, proceeds,
27 revenues and income to which Del Rio is or may be entitled thereunder.
28

1 **Del Rio / SJD Partners Release.** A release (which, as to SJD Partners, must be executed
2 and delivered prior to any setting aside of the Pacific Point Foreclosure and prior to any recovery by
3 a Plan Debtor's Estate with respect to the setting aside of the Pacific Point Foreclosure), in a form
4 reasonably acceptable to the Lehman Lenders, to be executed within forty-five (45) days following
5 the Effective Date by the Liquidating Trustee for the Estate of Del Rio or the Estate of SJD Partners
6 to obtain certain benefits described in Section 1.5(i)(iv)(2) of the Lehman Plan that is in a form or
7 substantially the form of the Plan Release set forth in Section 9.11 of the Lehman Plan, but (a)
8 without any exception, as matters not to be released, for Cross-Collateralization Claims or
9 Avoidance Actions and (b) with additional releasees consisting of all and any owners of the
10 applicable Project(s) or other Assets that were at any time owned by Del Rio or SJD Partners, as
11 applicable.

12 **Delta Coves.** Delta Coves Venture, LLC, a Delaware limited liability company, a Trustee
13 Debtor in these Cases, and the owner of the Delta Coves Project.

14 **Delta Coves Loan Agreement.** That certain Amended and Restated Loan Agreement, dated
15 as of April 20, 2007, by and between Delta Coves, as borrower, and Lehman ALI, as agent and
16 lender, pursuant to which the lenders thereunder made a loan to the borrower in the maximum
17 aggregate principal amount of approximately \$236,000,000. The loan made pursuant to and/or
18 evidenced by the Delta Coves Loan Agreement is secured by a first priority deed of trust on the
19 Delta Coves Project. The outstanding balance of the loan under the Delta Coves Loan Agreement
20 was not less than \$206,023,142.48 as of the applicable Petition Date.

21 **Delta Coves Project.** The Project owned by Delta Coves, located in Bethel Island in Contra
22 Costa County, California, as more particularly described in **Exhibit "B"** to the Lehman Plan.

23 **Detailed Sale Procedures.** The detailed procedures with respect to which the Liquidating
24 Trustee shall sell or convey each of the Remaining Real Estate Projects for which there is a
25 Successful Bidder, either to a third party purchaser, a Lehman Nominee or another Holder of an
26 Allowed Secured Claim, pursuant to and consistent with the Lehman Plan Sale Procedures, in a form
27 acceptable to the Lehman Creditors and Liquidating Trustee or as reasonably proposed by the
28 Lehman Lenders and approved by the Bankruptcy Court at, or after the hearing on, confirmation of

1 the Lehman Plan, as may be modified after the Confirmation Date by agreement of the applicable
2 Lehman Nominee or other owner and Liquidating Trustee or approval of the Bankruptcy Court.

3 **Disputed Claim(s).** All or any part of a Claim that is not Allowed, including, without
4 limitation, all or part of a Claim as to which any one of the following applies: (i) no Proofs of Claim
5 has been Filed with respect to such Claim and it is not deemed Allowed under the Lehman Plan, and
6 either (a) the Claim is not listed in the Schedules or (b) the Claim is listed in the Schedules as
7 unliquidated, disputed, contingent, unknown or in a zero amount, (ii) the liability for, amount,
8 priority or status of the Claim as secured, status as unsecured or status as an ES Claim (a) is the
9 subject of a pending proceeding, whether arbitration, mediation, litigation, adversary proceeding or
10 otherwise; (b) is subject to offset based upon a Filed judgment, Filed order, Filed stipulation or
11 express provision in an executed agreement that was Filed or executed, as appropriate, after the
12 alleged right to offset arose; (c) is the subject of a timely objection; or (d) is the subject of a request
13 for estimation made in accordance with the Bankruptcy Code, the Bankruptcy Rules, any applicable
14 order of the Bankruptcy Court or the Lehman Plan, in each case that is Filed on or before the Claims
15 Objection Deadline, provided that any such proceeding, objection, or request for estimation has not
16 been dismissed, withdrawn or determined by a Final Order; or (iii) the Claim is otherwise treated as
17 a "Disputed Claim" pursuant to the Lehman Plan.

18 **Distribution(s).** Payment(s) to Holder(s) of an Allowed Claim(s) or Allowed Interest(s) that
19 are provided for under the Lehman Plan.

20 **Distribution Agent.** The Liquidating Trustee.

21 **Distribution Date.** With respect to any Allowed Claim or Allowed Interest, the date on
22 which a Distribution is required to be made under the Lehman Plan.

23 **Effective Date.** A date selected by the Lehman Lenders, but in no event later than the
24 sixtieth (60th) day after the Confirmation Date.

25 **Elieff.** Bruce Elieff, the manager of Acquisitions, the indirect parent of all of the Debtors.

26 **Emerald Meadows Project.** The Project owned by SunCal Emerald, located in the City of
27 Rubidoux, California, as more particularly described in **Exhibit "B"** to the Lehman Plan.
28

1 **Encumbrance.** Any Lien (statutory or otherwise), hypothecation, encumbrance, security
2 interest, mortgage, pledge, restriction, charge, instrument, unassumed affirmative obligations under
3 development agreements or subdivision improvement agreements, license, preference, priority,
4 security agreement, easement, covenant, encroachment, option or other interest in the subject
5 Project, including any right of recovery, tax (including foreign, federal, state and local tax), Order of
6 any governmental authority or other claim there against or therein, of any kind or nature (including
7 (i) any conditional sale or other title retention agreement and any lease having substantially the same
8 effect as any of the foregoing, (ii) any assignment or deposit arrangement in the nature of a security
9 device, (iii) any claims based on any theory that the acquirer is a successor, transferee or
10 continuation of the sellers or their business, and (iv) any leasehold interest, license or other right, in
11 favor of a person other than the transferor in connection with a sale or conveyance, to use any
12 portion of the subject Project), whether secured or unsecured, choate or inchoate, filed or unfiled,
13 scheduled or unscheduled, noticed or unnoticed, recorded or unrecorded, contingent or non-
14 contingent, material or non-material, known or unknown.

15 **Equitable Subordination Claims.** Claims for equitable subordination pursuant to
16 Bankruptcy Code § 510(c) held by an Estate for an ES Claimant against a Lehman Creditor.

17 **ES Action.** That certain adversary proceeding Filed in the Cases on behalf of all Trustee
18 Debtors and 13 of the Voluntary Debtors and pending before the Bankruptcy Court as Adversary
19 Case No. 8:09-ap-01005.

20 **ES Claim.** A Claim, including a Bond Claim and Bond Obligation, against an ES Plan
21 Debtor for “new value” (as defined in 11 U.S.C. section 547(a)(2) and as that section is interpreted
22 with reference to controlling law for the Bankruptcy Court) voluntarily provided or voluntarily
23 extended to one or more of the ES Plan Debtors after the ES Date and prior to the applicable Petition
24 Date(s); provided that such Claim is not a (i) Secured Claim, (ii) Administrative Claim, (iii) Priority
25 Tax Claim, (iv) Priority Claim, (v) Claim of an Insider or (vi) Claim of either a Lehman Lender or
26 Lehman Successor in such capacity. *E.g.*, ES Claims do not include Claims provided or extended
27 pursuant to a legal or contractual commitment or obligation existing prior to the ES Date. ES Claims
28 are entitled to vote on the ES Settlement as set forth in the Lehman Plan.

1 **ES Claimant.** The Holder of an Allowed ES Claim.

2 **ES Claimant Release and Assignment.** In exchange for the commitment of the Lehman
3 Lenders under the Lehman Plan to make available funding for the ES Pro Rata Settlement Payments
4 from, among other sources, Cash Collateral of the Lehman Creditors as of the Effective Date, in
5 returning its Ballot accepting the ES Settlement Offer, each Settling ES Claimant by Vote
6 (“releasor”) shall execute a release and assignment reflecting the following and shall be deemed to
7 release and assign as follows: (a) the releasor shall release the ES Claimant Released Claims from
8 and against all Lehman Releasees and all and any owners of the applicable Project(s) (that were at
9 any time owned by the Plan Debtor against which the applicable Allowed ES Claim is asserted),
10 including the Lehman Nominees, which owners are or were successors or assigns of the applicable
11 Debtor, and (b) to the extent such ES Claimant Released Claims cannot be released by the releasor,
12 the releasor assigns to the applicable Lehman Lender (or if multiple applicable Lehman Lenders, the
13 Lehman Lender holding the most senior Lien against the applicable Estate’s Project), all rights,
14 benefits and interests of the releasor, including rights to Net Cash Litigation Recoveries, with respect
15 to the ES Claimant Released Claims, all as more fully set forth in Section 9.9(d) of the Lehman Plan.

16 **ES Claimant Released Claims.** Any and all causes of action, actions, rights of action, suits,
17 judgments, liens, indebtedness, damages, losses, claims, liabilities, obligations, attorneys’ fees, costs,
18 expenses and demands of every kind and character, whether known or unknown, suspected or
19 unsuspected, disclosed or undisclosed, including without limitation any Litigation Claims, whether
20 for damages, subordination or other remedies, and including any and any objections or defenses to
21 Lehman Related Party’s Claims, Liens, rights, or causes of action, to the extent attributable or
22 related to the ES Claims of the releasing Person or to the extent that the Net Cash Litigation
23 Recoveries therefrom would be payable in respect of the ES Claims of such releasing Person.

24 **ES Date.** August 1, 2007, the earliest date on which the Lehman Lenders are alleged to have
25 engaged in inequitable conduct as described in that certain adversary proceeding Filed in the Cases
26 and pending before the Bankruptcy Court as Adversary Case No. 8:09-ap-01005.

27 **ES Final Judgment.** An ES Judgment represented by a Final Order.
28

1 **ES Judgment.** A judgment in the ES Action in favor of the Liquidating Trustee on behalf of
2 and for the benefit of any particular group of ES Claimants in connection with any of the Equitable
3 Subordination Claims against a Lehman Related Party.

4 **ES Litigation Expenses.** The reasonable and direct out-of-pocket expenses (but not any
5 legal fees): (a) of and incurred by any replacement legal counsel to Miller Barondess, LLP, that is
6 retained by the Liquidating Trustee on a contingency fee basis to prosecute the Equitable
7 Subordination Claims of any ES Plan Debtor's Estate in the ES Action; (b) which are in excess of
8 any Available Cash in the Post-Confirmation Accounts; and (c) which were incurred in connection
9 with prosecuting the Equitable Subordination Claims in the ES Action; provided that (i) such
10 expenses shall, under no circumstances, include any legal fees (including paralegal fees) or other
11 fees of professionals employed by, or of, the replacement legal counsel or any other law firm (other
12 than the reasonable fees and costs of any retained attorney expert witness) nor (ii) shall such
13 expenses include any fees or expenses incurred or otherwise payable to Miller Barondess, LLP.

14 **ES Litigation Loan.** A loan to be made available by a Lehman Lender pursuant to the terms
15 and conditions of and as further described in Section 9.9 of the Lehman Plan.

16 **ES Litigation Proceeds.** The proceeds of any ES Final Judgment or settlement (other than
17 the ES Settlement) with respect to Non-Settled ES Claims.

18 **ES Plan Debtors.** All of the Plan Debtors other than: Kirby Estates; Seven Brothers; SunCal
19 Beaumont; SunCal Century City; and SunCal Johansson

20 **ES Pro Rata Settlement Payment.** A payment to any particular Holder of an Allowed ES
21 Claim equal to the ES Settlement Amount multiplied by a fraction, the numerator of which shall be
22 the amount of such Holders' Allowed ES Claim and the denominator of which shall be the amount
23 of all Allowed ES Claims and all Allowed Mechanic's Lien Claims.

24 **ES Settlement.** The settlement or settlements of Equitable Subordination Claims relating to
25 any particular Estate of a Plan Debtor upon acceptance of an ES Settlement Offer.

26 **ES Settlement Amount.** The maximum aggregate amount of \$15,000,000 to be made
27 available to the Liquidating Trustee collectively by the Lehman Lenders as provided in Section 9.6
28 of the Lehman Plan to fund any ES Pro Rata Settlement Payments to be made to the ES Claimants

1 who vote for acceptance of the ES Settlement Offer on their Ballots and return with the Ballots ES
2 Claimant Release and Assignments (included with the Ballots) duly executed by such ES Claimants
3 or who are deemed to have accepted or who are otherwise bound by, the ES Settlement pursuant to
4 the terms of the Lehman Plan.

5 **ES Settlement Offer.** The offer of the applicable Lehman Lender to settle the Equitable
6 Subordination Claims relating to any particular Estate of an ES Plan Debtor by payment of the ES
7 Pro Rata Settlement Payments either (a) to all Holders of Allowed ES Claims against such Estate
8 who return a duly executed ES Claimant Release and Assignment, if there is Estate Acceptance of
9 the ES Settlement by such Estate, or (b) only to the Holders of Allowed ES Claims against such
10 Estate who vote for acceptance of the ES Settlement Offer on their Ballots and return with their
11 Ballots duly executed ES Claimant Release and Assignments, if there is not Estate Acceptance of the
12 ES Settlement by such Estate.

13 **Estate or Estates.** The bankruptcy estates of the Debtors created pursuant to Section 541 of
14 the Bankruptcy Code.

15 **Estate Acceptance of the ES Settlement.** The circumstance by which the Estate of a Plan
16 Debtor accepts the ES Settlement Offer, which occurs if at least one-half in number and two-thirds
17 in amount of the voting ES Claimants in such Estate vote for acceptance of the ES Settlement Offer
18 on their Ballots and (unless waived by the Lehman Lenders as to one or more Ballots) return with
19 their Ballots a duly executed ES Claimant Release and Assignment.

20 **Estate ES Settlement Release.** In exchange for the commitment of the Lehman Lenders
21 under the Lehman Plan to make available funding for the ES Pro Rata Settlement Payments from,
22 among other sources, Cash Collateral of the Lehman Creditors, as of the Effective Date, the Estate of
23 each Plan Debtor as to which there is a Settling ES Claimant, on behalf of itself and its Affiliates
24 exclusive of other Debtors in these Cases, shall be deemed to release all claims, including without
25 limitation any Litigation Claims to the extent attributable to the ES Claims of the Settling ES
26 Claimants or to the extent that the Net Cash Litigation Recoveries therefrom would be payable in
27 respect of the ES Claims of the Settling ES Claimants, from and against all Lehman Releasees and
28 all and any owners of the applicable Project(s) (that were at any time owned by the Plan Debtor of

1 the releasing Estate), including the Lehman Nominees, which owners are or were successors or
2 assigns of the applicable Debtor, all as more fully set forth in Section 9.9(c) of the Lehman Plan.

3 **Fee Applications.** Applications of Professionals under Sections 330, 331 or 503 of the
4 Bankruptcy Code for allowance of compensation and reimbursement of expenses in the Cases.

5 **Fenway Capital.** Fenway Capital Funding LLC, which owns or holds a legal or equitable
6 interest in all or a portion of the Lehman Loans made pursuant to and/or evidenced by the following
7 loan agreements, but for which a Lehman Lender nonetheless continues as agent: (a) SunCal
8 Communities I Loan Agreement; (b) Ritter Ranch Loan Agreement; (c) SunCal PSV Loan
9 Agreement; (d) Delta Coves Loan Agreement; (e) SunCal Marblehead / SunCal Heartland Loan
10 Agreement; (f) SunCal Oak Valley Loan Agreement; and (g) SunCal Northlake Loan Agreement.

11 **Filed.** Delivered to, received by and entered upon the legal docket by the Clerk of the
12 Bankruptcy Court. "File" and "Filing" shall have correlative meanings.

13 **Final Order.** A final and non-appealable judgment, order, ruling or other decree issued and
14 entered by a court of competent jurisdiction.

15 **General Administrative Claim Bar Date.** The last date fixed by the Lehman Plan for the
16 filing of Proofs of Claim or requests for payment of Administrative Claims other than for Taxes.
17 Under the Lehman Plan, the General Administrative Claim Bar Date shall be the first Business Day
18 after the sixtieth (60th) day after the Confirmation Date.

19 **General Unsecured Claim.** A Claim, including a Bond Claim and Bond Obligation, against
20 a Plan Debtor that is not (a) a Secured Claim, (b) an Administrative Claim, (c) a Priority Tax Claim,
21 (d) a Priority Claim or (e) an ES Claim.

22 **Guaranteed Minimum Distribution.** An amount equal to \$10 million less (a) one-third of
23 the aggregate amount of all ES Pro Rata Settlement Payments and less (b) 100% of the amount of
24 any ES Final Judgment; provided that the Guaranteed Minimum Distribution shall be zero if the
25 Credit Bid Conditions are not satisfied and never shall be less than zero.

26 **Heartland Project.** The Project owned by SunCal Heartland, located in Riverside County,
27 California, as more particularly described in **Exhibit "B"** to the Lehman Plan.

28 **Holder.** The beneficial owner of any Claim or Interest.

1 **Initial Bid.** This term shall have the meaning ascribed to it in Section 9.8(a) of the Plan.

2 **Insider.** (1) A Person other than a Lehman Related Party that is an “insider” as defined in
3 Bankruptcy Code Section 101, (2) an Affiliate of a Person or (3) without limiting the foregoing, as to
4 all Debtors, *inter alia*, each other Debtor, SunCal Management, LLC, Acquisitions, Elieff, Voss,
5 Cook & Thel LLP, Greenfield Communications, SunCal Master Venture Member, LLC and SunCal
6 Del Rio, LLC.

7 **Interest.** Any equity security or interest in any Plan Debtor within the meaning of Section
8 101(16) of the Bankruptcy Code, including, without limitation, any equity ownership interest in any
9 of the Plan Debtors, whether in the form of common or preferred stock, stock options, warrants,
10 partnership interests, membership interests, or any other equity security or interest.

11 **Interim Loan Agreement.** That certain Loan Agreement, dated as of October 31, 2007, by
12 and between SCC LLC, as borrower, and Lehman ALI, as agent and lender, pursuant to which the
13 lender thereunder made a loan to the borrower in the maximum aggregate principal amount of
14 approximately \$20,000,000. The outstanding balance of the loan under the Interim Loan Agreement
15 was not less than \$23,795,012.59 as of the applicable Petition Date. The loan made pursuant to
16 and/or evidenced by the Interim Loan Agreement is supported by a Subsidiary Guaranty made by
17 SCC Communities, Tesoro and Del Rio and the obligations of the guarantors thereunder are secured
18 by (a) a first priority deed of trust on the Joshua Ridge Project; (b) a first priority deed of trust on the
19 Tesoro Project; and (c) an assignment of the Del Rio CFD Bond Proceeds.

20 **Johannson Ranch Project.** The Project owned by SunCal Johannson, located in the City of
21 Modesto, California, as more particularly described in **Exhibit “B”** to the Lehman Plan.

22 **Joshua Ridge Project.** The Project owned by SCC Communities, located in the City of
23 Victorville, California, as more particularly described in **Exhibit “B”** to the Lehman Plan.

24 **Kirby Estates.** Kirby Estates, LLC, a Delaware limited liability company, a Voluntary
25 Debtor in these Cases, and the owner of that portion of the Summit Valley Project not owned by
26 SunCal Summit Valley or Seven Brothers.

27 **LCPI.** Lehman Commercial Paper Inc., a New York corporation.
28

1 **Lehman Administrative Loans.** (a) The post-petition financing provided by Lehman ALI
2 to Palmdale Hills, SunCal Emerald, SunCal Bickford, Acton Estates, SunCal Oak Valley, SunCal
3 Heartland, SunCal Northlake, SunCal Marblehead, SunCal Century City, SunCal PSV, Delta Coves,
4 and SunCal Oak Knoll, under which first priority priming Liens were granted to Lehman ALI on all
5 borrower Debtors' assets (with the exception of SunCal Century City in which the Liens are junior
6 priority), and as to which financing, super-priority administrative status was afforded and the
7 automatic stay was modified to the extent necessary to implement the financing (the aggregate
8 amount of such loans to all of the borrower Debtors was not less than \$1,790,572, as of October 11,
9 2009); (b) any post-petition financing provided by any Lehman Related Party after September 23,
10 2009 to any of the Debtors or their Estates pursuant to an order of the Bankruptcy Court; and (c) all
11 interest, fees and other charges thereupon.

12 **Lehman ALI.** Lehman ALI, Inc., a Delaware corporation

13 **Lehman ALI's Bickford Second Lien.** The Liens of Lehman ALI or its assignee or
14 successor against SunCal Bickford Ranch, including a second priority deed of trust on the Bickford
15 Ranch Project and certain personal property, arising from the Claims under the Bickford Second
16 Lien Loan Agreement in the Allowed Amount of \$56,494,059.38.

17 **Lehman Appeal.** Any appeal by a Lehman Related Party relating to the Equitable
18 Subordination Claims in the ES Action or any Cross-Collateralization Claims in a Cross-
19 Collateralization Action.

20 **Lehman Appeal Affected Debtor.** Any Estate of a Plan Debtor that cannot close due to a
21 pending Lehman Appeal concerning such Estate's Assets or liabilities, including subordination of
22 certain of its liabilities to other of its liabilities.

23 **Lehman Commercial.** Lehman Commercial Paper Inc., a New York corporation.

24 **Lehman Commercial's SCC Palmdale Lien.** The Liens of Lehman Commercial or its
25 assignee or successor against SCC Palmdale, including a pledge of SCC Palmdale's interests in
26 Palmdale Hills, arising from the Claims under the SCC Palmdale Loan Agreement in the Allowed
27 Amount of \$119,664,305.25.
28

1 **Lehman Commercial's SunCal I Lien.** The Liens of Lehman Commercial or its assignee
2 or successor against SunCal I, including pledges of SunCal I's equity membership interests in Acton
3 Estates, SunCal Summit Valley, SunCal Beaumont, SunCal Johannson, SunCal Bickford, and
4 SunCal Emerald, arising from the Claims under the SunCal Communities I Loan Agreement in the
5 Allowed Amount of \$343,221,391.06.

6 **Lehman Creditor.** Lehman Lender or Lehman Successor.

7 **Lehman Creditor Party.** Lehman Lender, Lehman Successor, the direct or indirect parent
8 of either, or an Affiliate of either that is wholly owned by the Lehman Lender, Lehman Successor or
9 by a direct or indirect parent of such Lehman Lender or Lehman Successor.

10 **Lehman Disclosure Statement.** The Amended Disclosure Statement With Respect to *First*
11 *Amended* Joint Chapter 11 Plan Proposed By Lehman Lenders.

12 **Lehman Lender.** Lehman ALI, Lehman Commercial, Northlake Holdings or OVC
13 Holdings, including each in its capacity as agent, or agent and lender, with respect to the applicable
14 Lehman Loans (and, collectively, the "Lehman Lenders"). Any funding obligation or similar
15 commitment of the "Lehman Lenders" under the Lehman Plan is a singular, aggregate obligation as
16 to the amount or obligation specified, and thus will be satisfied by a single satisfaction thereof.

17 **Lehman Loan.** Each loan made pursuant to and/or evidenced by the following agreements:
18 (a) SunCal Communities I Loan Agreement; (b) Bickford Second Lien Loan Agreement; (c) Ritter
19 Ranch Loan Agreement; (d) SCC Palmdale Loan Agreement; (e) Interim Loan Agreement; (f)
20 SunCal Oak Knoll/SunCal Torrance Loan Agreement; (g) SunCal PSV Loan Agreement; (h) Delta
21 Coves Loan Agreement; (i) SunCal Marblehead / SunCal Heartland Loan Agreement; (j) SunCal
22 Oak Valley Loan Agreement; and (k) SunCal Northlake Loan Agreement.

23 **Lehman Nominee(s).** The entity or each entity designated by the Lehman Lenders, or any
24 of them, to take title to a Remaining Real Estate Project as to which a Lehman Creditor is the
25 Successful Bidder.

26 **Lehman Plan.** This *First Amended Joint Chapter 11 Plan Proposed By Lehman Lenders*,
27 together with the Exhibits hereto, as the same may be amended, modified or restated from time to
28 time.

1 **Lehman Plan Sale Procedures.** The marketing, bidding and sale procedures for a sale of
2 some or all of the Projects after confirmation of the Lehman Plan, all as more fully set forth in
3 Section 0 of the Lehman Plan.

4 **Lehman Post-Confirmation Expenses.** Post-Confirmation Expenses incurred with respect
5 to a Litigation Claim against a Lehman Related Party, other than ES Litigation Expenses to the
6 extent susceptible of satisfaction from the proceeds of the ES Litigation Loan.

7 **Lehman Post-Confirmation Funding.** All funding made available to the Liquidating
8 Trustee in connection with, or after, the Effective Date from either (or both) loans made by or on
9 behalf of a Lehman Related Party (of up to a maximum of \$5 million) in the form of new Cash
10 transfers or by a Lehman Lender permitting the use of Cash Collateral of a Lehman Creditor, plus, as
11 to any loans, all costs, fees and expenses incurred in connection with making or collecting such
12 loan(s), plus ten percent (10%) annual, compounded interest on the outstanding balance of such
13 loan(s).

14 **Lehman Proponents.** The Lehman Lenders, in their capacity as proponents of the Lehman
15 Plan.

16 **Lehman Related Party.** A Lehman Lender, Lehman Successor or Lehman Nominee, or an
17 Affiliate of any of them.

18 **Lehman Releasees.** The Lehman Lenders, LV Pacific Point LLC, Lehman Re Ltd., all other
19 defendants in the ES Action, their respective Affiliates and each of their respective officers,
20 directors, employees, agents, successors and assigns, including, without limitation, the Lehman
21 Successors.

22 **Lehman Secured Claim.** A Secured Claim held by a Lehman Creditor.

23 **Lehman Successor.** Any entity, other than a Lehman Lender, that either asserts to be or is
24 determined by the Bankruptcy Court to be the owner of a Lehman Loan or any portion thereof, such
25 as Fenway Capital.

26 **Liquidating Trustee.** An individual nominated by a Committee(s), identified no later than
27 ten (10) Business Days prior to the commencement of the hearing on confirmation of the Lehman
28 Plan and approved by the Bankruptcy Court as qualified to serve in such capacity under the Lehman

1 Plan; provided that if no other such person is so nominated, identified and approved, the Trustee
2 shall serve as the Liquidating Trustee.

3 **Litigation Claim(s).** Any and all interests of the Liquidating Trustee, Plan Debtors or
4 their Estates in any and all claims, Liens, rights, causes of action, and objections or defenses to
5 Claims, Liens, rights, or causes of action to the extent not waived, released or compromised under
6 the Lehman Plan that have been or may be commenced by the Debtor(s), the Liquidating Trustee,
7 the Trustee, or the Committee(s), as the case may be, including, but not limited to (i) Avoidance
8 Actions, including any Cross-Collateralization Action or other Avoidance Action against a Lehman
9 Related Party; (ii) Claims, rights or causes of action for turnover of property to the Plan Debtors'
10 Estates and/or Liquidating Trustee; (iii) Claims, rights or causes of action for the recovery of
11 property by, or payment of money to, the Plan Debtors' Estates or the Liquidating Trustee, including
12 Equitable Subordination Claims in the ES Action and Cross-Collateralization Claims in a Cross-
13 Collateralization Action; (iv) the right of the Liquidating Trustee to compensation in the form of
14 damages, recoupment, or setoff; and (v) objections to Claims.

15 **Litigation Recoveries.** Any Cash or other property received by the Trustee, the Plan
16 Debtors, the Liquidating Trustee, or the Committees, as the case may be, from all or any portion of a
17 Litigation Claim(s), including, but not limited to, awards of damages, attorneys' fees and expenses,
18 interest and punitive damages, whether recovered by way of settlement, execution on judgment or
19 otherwise.

20 **Marblehead Project.** The Project owned by SunCal Marblehead, located in the City of San
21 Clemente, California, as more particularly described in **Exhibit "B"** to the Lehman Plan.

22 **Maximum DOT Security Amount.** The aggregate amount secured by the PRA Recovery
23 Deeds of Trust at any time which shall be equal to the Maximum PRA Recovery Amount less the
24 aggregate amount in the Plan Reserve (including any interest accrued on funds therein).

25 **Maximum PRA Recovery Amount.** An amount that serves as the maximum aggregate
26 amount secured by the PRA Recovery Security Pool. This amount is to equal the sum of: (a) to
27 secure a potential Cross-Collateralization Final Judgment, \$1.74 million; and (b) to secure a
28 potential ES Final Judgment, (i) \$200 million less (ii) the amount from clause (a) hereof (if

1 applicable), with the difference between (i) and (ii) to be multiplied by (iii) the Non-Settling ES
2 Claimant Percentage. Notwithstanding the foregoing:

3 (1) The amount in clause (a) of this definition shall be zero if (x) none of the Acton
4 Project, Joshua Ridge Project or Tesoro Project are conveyed to a Lehman Nominee under the Plan
5 pursuant to a Contingent Bid or (y) after the last date for Filing a Cross-Collateralization Action, no
6 such action is pending seeking to set aside a Lehman Secured Claim against Acton Estates, SCC
7 Communities or Tesoro and either no Cross-Collateralization Judgment has issued so setting aside
8 such a Secured Claim or such judgment has been satisfied, annulled, vacated or reversed;

9 (2) On motion of a Lehman Related Party, the amounts set forth in clauses (a) and/or
10 (b)(i) hereof may be reduced upon a Final Order of the Bankruptcy Court, as described in Section
11 9.8(c)(v) of the Lehman Plan.

12 **Mechanic's Lien Claim.** Mechanic's lien claims against a Plan Debtor's Project arising
13 pursuant to California Civil Code §3110, et seq. that were either allegedly perfected prepetition or
14 otherwise and allegedly satisfy the requirements of Bankruptcy Code Section 546(b).

15 **Minimum Distribution Release and Assignment.** In exchange for the commitment of the
16 Lehman Lenders under the Lehman Plan to make available funding for the Guaranteed Minimum
17 Distribution from new Cash transfers to the Liquidating Trustee on the Effective Date, each Non-
18 Settling ES Claimant holding an Allowed ES Claim and each Holder of an Allowed General
19 Unsecured Claim desiring to share in the Guaranteed Minimum Distribution (the "releasor") shall
20 execute a release and assignment (a) releasing the Minimum Distribution Released Claims from and
21 against all Lehman Releasees and all and any owners of the applicable Project(s) (that were at any
22 time owned by the Plan Debtor against which the applicable Allowed ES Claim or Allowed General
23 Unsecured Claim is asserted), including the Lehman Nominees, which owners are or were
24 successors or assigns of the applicable Debtor, and (b) to the extent such Minimum Distribution
25 Released Claims cannot be released by the releasor, assigning to the applicable Lehman Lender (or if
26 multiple applicable Lehman Lenders, the Lehman Lender holding the most senior Lien against the
27 applicable Estate's Project or Assets), all rights, benefits and interests of the releasor, including
28

1 rights to Net Cash Litigation Recoveries, with respect to such Minimum Distribution Released
2 Claims, all as more fully set forth in Section 1.5(d) of the Lehman Plan.

3 **Minimum Distribution Released Claims.** Any and all causes of action, actions, rights of
4 action, suits, judgments, liens, indebtedness, damages, losses, claims, liabilities, obligations,
5 attorneys' fees, costs, expenses and demands of every kind and character, whether known or
6 unknown, suspected or unsuspected, disclosed or undisclosed, including without limitation any
7 Litigation Claims, whether for damages, subordination or other remedies, and including any and any
8 objections or defenses to Lehman Related Party's Claims, Liens, rights, or causes of action, to the
9 extent related to the Claims of the releasing Person or these Cases, Debtors or their Projects or to the
10 extent that the Net Cash Litigation Recoveries therefrom would be payable in respect of the Claims
11 of such releasing Person.

12 **Negative Covenant.** The provision in each PRA Recovery Deed of Trust that the applicable
13 Lehman Nominee will not cause, through an affirmative action on its part (as opposed to any
14 inaction or failure to act), any hazardous substances to be deposited onto the applicable PRA
15 Security Project encumbered by such PRA Recovery Deed of Trust at any time following the
16 acquisition of title to such PRA Security Project by such Lehman Nominee and prior to the sale of
17 such PRA Security Project; provided, however, that the Lehman Nominee shall have no obligation to
18 (1) clean up, remove or remediate any existing hazardous substances (including, without limitation,
19 any asbestos, mold or petroleum products) which may be present on or within such PRA Security
20 Project or which may be emanating therefrom as of the date of the conveyance of such property to
21 such Lehman Nominee or (2) take any action or incur any expense to prevent hazardous substances
22 from existing or being present on or within such PRA Security Project or from otherwise emanating
23 therefrom except as specifically provided above.

24 **Net Cash Litigation Recoveries.** Any Litigation Recoveries consisting of Cash and any
25 Cash proceeds of Litigation Recoveries less associated Post-Confirmation Expenses incurred in
26 connection therewith.

27 **Net Cash Proceeds.** Net Proceeds consisting of Cash.
28

1 **Net Proceeds.** Gross proceeds of sale, liquidation or refinancing, less costs, expenses, fees,
2 commissions, taxes (including federal, state and local income tax calculated at an assumed rate of
3 forty-five percent (45%)) and other charges incurred directly in the sale, liquidation or refinancing of
4 the underlying asset, including payment of senior Liens or encumbrances.

5 **Non-Settled ES Claims.** The ES Claims of Non-Settling ES Claimants.

6 **Non-Settling ES Claimant(s):** With respect to each Estate of an ES Plan Debtor, ES
7 Claimants that do not vote to accept the ES Settlement Offer, unless there is Estate Acceptance of
8 the ES Settlement for such Estate, in which case there shall be no Non-Settling ES Claimants of such
9 Estate.

10 **Non-Settling ES Claimant Percentage.** The percentage of Allowed ES Claims that are held
11 by Non-Settling ES Claimants.

12 **Northlake Holdings.** Northlake Holdings LLC, a Delaware limited liability company.

13 **Northlake Project.** The Project owned by SunCal Northlake, located in the City of Castaic
14 California, as more particularly described in **Exhibit "B"** to the Lehman Plan.

15 **Oak Knoll Project.** The Project owned by SunCal Oak Knoll, located in the City of
16 Oakland, California, as more particularly described in **Exhibit "B"** to the Lehman Plan.

17 **Oak Valley Project.** The Project owned by SunCal Oak Valley, located in Riverside
18 County, California, as more particularly described in **Exhibit "B"** to the Lehman Plan.

19 **Other Secured Claim.** A Secured Claim that is not a Secured Real Property Tax Claim,
20 Lehman Secured Claim or Danske Secured Claim.

21 **OVC Holdings.** OVC Holdings LLC, a Delaware limited liability company.

22 **Pacific Point First Loan Agreement.** That certain Term Loan and Revolving Line of Credit
23 Loan Agreement dated as of February 16, 2006 (as amended and/or supplemented) and the various
24 related loan documents as well as any other documents evidencing perfection of the security interests
25 therefor, including any amendments and/or supplements thereto, by and among SJD Partners, as
26 borrower, and Lehman ALI, as administrative agent and lender, pursuant to which the lenders
27 thereunder made loans to the borrower for which the outstanding balance was not less than
28

1 \$120,110,237 as of the applicable Petition Date and which loans are secured by, among other things,
2 a first priority deed of trust on the Pacific Point Project.

3 **Pacific Point Foreclosure.** The non-judicial foreclosure of the Pacific Point Project
4 formerly owned by SJD Partners with respect to a second Lien loan of approximately \$28 million,
5 through which such Project was sold on August 28, 2008 to LV Pacific Point LLC.

6 **Pacific Point Project.** The Project formerly owned by SJD Partners, which was non-
7 judicially foreclosed upon pursuant to a sale on August 28, 2008 by LV Pacific Point LLC, a
8 Delaware limited liability company.

9 **Palmdale Hills.** Palmdale Hills Property, LLC, a Delaware limited liability company, a
10 Voluntary Debtor in these Cases, and the owner of the Ritter Ranch Project, the Ritter Cash and the
11 Palmdale Hills CFD Bonds.

12 **Palmdale Hills CFD Bonds.** Certain community facilities district bonds issued by the City
13 of Palmdale that are owned by Palmdale Hills.

14 **Palm Springs Village Project.** The Project owned by SunCal PSV, located in the City of
15 Palm Springs, California, as more particularly described in **Exhibit "B"** to the Lehman Plan.

16 **Permitted Liens.** (a) Statutory liens for Secured Real Property Tax Claims; (b) easements,
17 covenants, conditions, restrictions and other matters of record affecting real property, leasehold
18 estates or personalty or any interest therein (excluding any rights of appeal from the Final Order with
19 respect to the sale or conveyance of the Project) that (i) appear on the lender title insurance policies
20 concerning such Project issued to the relevant Lehman Lender or (ii) do not in any material respect
21 detract from the value of the relevant Project and do not individually or in the aggregate in any
22 material respect interfere with the use, ownership or operation of the property, excluding Liens that
23 will be removed and stricken as against the relevant Project pursuant to the Final Order with respect
24 to the sale or conveyance of the Project, (c) the effect of any building and zoning regulations, now
25 existing or hereafter in effect with respect to the relevant Project that are not violated by the current
26 use of the Project, (d) oil, mineral and/or water rights, and claims of title thereto, shown by the
27 public records, (e) discrepancies, conflicts in boundary lines, shortages in area or encroachments
28

which an inspection or survey of the subject Project would disclose and (f) other Liens to which the transferor of the property, in connection with such transfer, agrees to take subject.

Person. An individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority, governmental unit, committee or other entity of whatever nature.

Petition Dates. The following are dates that each of the Voluntary Debtors Filed their voluntary chapter 11 petitions or Creditors Filed involuntary chapter 11 petitions against the Trustee Debtors:

Palmdale Hills	November 6, 2008
SunCal Beaumont	November 6, 2008
SCC Palmdale	November 7, 2008
SunCal Johannson	November 7, 2008
SunCal Summit Valley	November 7, 2008
SunCal Emerald	November 7, 2008
SunCal Bickford	November 7, 2008
Acton Estates	November 7, 2008
Seven Brothers	November 7, 2008
SJD Partners	November 7, 2008
SJD Development	November 7, 2008
Kirby Estates	November 7, 2008
SunCal I	November 7, 2008
SunCal III	November 7, 2008
SCC Communities	November 19, 2008
Del Rio	November 19, 2008
Tesoro	November 19, 2008
Delta Coves	November 14, 2008
SunCal Heartland	November 12, 2008
SunCal Marblehead	November 12, 2008
SunCal Northlake	November 12, 2008
SunCal Oak Valley	November 12, 2008
SunCal Century City	November 14, 2008
SunCal PSV	November 14, 2008
SunCal Torrance	November 14, 2008
SunCal Oak Knoll	November 19, 2008

Plan. The Lehman Plan.

Plan Debtors. The 24 Debtors for which the Lehman Plan is being proposed, consisting of all of the Debtors other than SJD Development and SunCal III (the Estates of which are believed to hold no Assets of any significant current or potential value).

Plan Release. In exchange for the extension of credit represented by the additional Lehman Post-Confirmation Funding, the ES Settlement Offer and the delayed satisfaction of the Secured

1 Claims of the Lehman Related Parties, as of the Effective Date, the Estate of each Plan Debtor shall
2 be deemed to release all claims, including any Litigation Claims except certain Avoidance Actions
3 and certain claims therein and except that, with respect to all Equitable Subordination Claims in the
4 ES Action and certain Cross-Collateralization Claims asserted in a Cross-Collateralization Action,
5 each owner of each PRA Security Project shall have a non-recourse obligation to reconvey each
6 PRA Security Project to the Liquidating Trustee if required by an ES Final Judgment or Cross-
7 Collateralization Final Judgment, which obligation shall be secured by the PRA Recovery Security
8 Pool and, at a Lehman Nominee's election, instead may be satisfied by a Cash payment to the
9 applicable Estate(s) in the amount of any Project Related Action Recovery, all as more fully set forth
10 in Section 9.11 of the Lehman Plan.

11 **Plan Reserve.** A reserve fund established by the Liquidating Trustee to hold the Ritter Cash,
12 all Cash Collateral of a Lehman Creditor held by a Plan Debtor, and any other Cash required or
13 permitted to be deposited therein on the Effective Date pursuant to the terms of the Lehman Plan and
14 which funds shall be subject to withdrawal pursuant to the terms of the Lehman Plan, including (i)
15 all Net Cash Proceeds of sales or refinancing of certain Remaining Real Estate Projects as set forth
16 in the Lehman Plan and (ii) any other Cash which the Lehman Related Parties may desire to deposit
17 therein from time to time, all upon the terms and conditions set forth in Article IX of the Lehman
18 Plan. Such funds shall be held in account(s) to be established at an FDIC insured bank to be selected
19 by the Liquidating Trustee with the consent of the Lehman Lenders, which consent shall not be
20 unreasonably withheld. There shall be separate accounts or accounting for the Ritter Cash, Net Cash
21 Proceeds derived from each Remaining Real Estate Project and other Cash Collateral of a Lehman
22 Creditor as to a Plan Debtor, with the Ritter Cash being attributed to the Ritter Ranch Project, Net
23 Cash Proceeds being attributed to the Remaining Real Estate Project, the sale or refinancing of
24 which resulted in such Net Cash Proceeds and other Cash Collateral of a Lehman Creditor being
25 attributed to the applicable Plan Debtor. The applicable Lehman Creditor shall report the Cash
26 Collateral held in the Plan Reserve as being owned by it for all applicable federal, state and local
27 income tax purposes. To enable the applicable Lehman Creditor to pay its applicable federal, state
28 and local income tax with respect to amounts in the Plan Reserve, the Liquidating Trustee shall

1 distribute, or cause to be distributed, to the applicable Lehman Creditor an amount equal to forty five
2 percent (45%) of all income and gain earned with respect to amounts in the Plan Reserve (including
3 with respect to the amount held as the reserve for the Guaranteed Minimum Distribution) no less
4 than annually and prior to any such amounts being otherwise distributed pursuant to the Plan.

5 **Post-Confirmation Account(s).** An account with a bank, financial institution or similar
6 depository in which the Liquidating Trustee holds Cash or other liquid assets or securities for any
7 Plan Debtor.

8 **Post-Confirmation Expenses.** The fees and expenses incurred by the Liquidating Trustee
9 or the Committees following the Effective Date (including the fees and costs of Professionals and
10 the Lehman Post-Confirmation Funding) for the purpose of (i) prosecuting and/or liquidating the
11 Litigation Claims; (ii) selling or otherwise liquidating the Liquidating Trustee's Assets; (iii)
12 effectuating Distributions under the Lehman Plan; and (iv) otherwise consummating the Lehman
13 Plan and closing the Debtor(s)' Cases.

14 **PRA Recovery Deed(s) of Trust.** A deed or deeds of trust as to any particular PRA
15 Security Project to be granted by the Lehman Nominee in favor of the Liquidating Trustee upon
16 conveyance of a Remaining Real Estate Project to one or more Lehman Nominees in connection
17 with the Lehman Plan Sale Procedures, subject to any Permitted Liens, which deeds of trust (a)
18 secure the obligations set forth in the Reconveyance Agreements, and (b) are to be released or
19 subordinated as set forth in Section 9.8(c) of the Lehman Plan. The PRA Security Deeds of Trust
20 secure, in the aggregate, an amount not in excess of the Maximum DOT Security Amount.

21 **PRA Recovery Security Pool.** At any time, collectively, the PRA Recovery Deeds of Trust
22 then in effect and the Plan Reserve.

23 **PRA Security Project.** Each Project conveyed to a Lehman Nominee pursuant to the
24 Lehman Plan Sale Procedures.

25 **Priority Claim.** Any Claim, other than an Administrative Claim or a Priority Tax Claim, to
26 the extent entitled to priority under Section 507(a) of the Bankruptcy Code.

1 **Priority Tax Claim.** Any Claim for any Tax to the extent that it is entitled to priority in
2 payment under Section 507(a)(8) of the Bankruptcy Code or would be so entitled were it not
3 secured.

4 **Professional.** A Person (a) employed by the Plan Debtors, the Committees pursuant to a
5 Final Order in accordance with Sections 327 and 1103 of the Bankruptcy Code and to be
6 compensated for services rendered prior to the Effective Date, pursuant to Sections 327, 328, 3291,
7 330 and 331 of the Bankruptcy Code, or (b) for which compensation and reimbursement has been
8 allowed by the Bankruptcy Court pursuant to Section 503(b) of the Bankruptcy Code.

9 **Professional Fees.** All Allowed Claims for compensation and for reimbursement of
10 expenses under Sections 328, 330 and/or 503(b) of the Bankruptcy Code

11 **Projects.** The Plan Debtors' real estate development projects as more particularly described
12 on an Exhibit or supplement to the Lehman Plan to be Filed on or before the Effective Date,
13 together with all rights, remedies, privileges and easements appurtenant thereto and all other real and
14 personal, tangible and intangible, property related thereto.

15 **Project Related Action.** The ES Action or Cross-Collateralization Action.

16 **Project Related Action Recovery.** An ES Judgment or Cross-Collateralization Judgment.

17 **Pro Rata.** (a) With respect to any distribution in respect of any Allowed Claim,
18 proportionately, so that the ratio of (i)(1) the amount of property distributed on account of such
19 Allowed Claim to (2) the amount of such Allowed Claim, is the same as the ratio of (ii)(1) the
20 amount of property distributed on account of all Allowed Claims of the Class or Classes of the
21 applicable Estate sharing in such distribution to (2) the amount of all Allowed Claims in such Class
22 or Classes of the applicable Estate; and (b) in calculating allocations of responsibility for obligations
23 among Debtors, Pro Rata shall be determined in reference to the Liquidating Trustee's reasonable
24 estimate of the gross value of each applicable Estate's Assets as of the Confirmation Date.

25 **Proof of Claim.** A proof of claim as referenced in Bankruptcy Code Section 501(a).

26 **Proof of Interest.** A proof of interest as referenced in Bankruptcy Code Section 501(a).

27 **Reconveyance Agreement.** A written agreement to be executed by, and evidencing, among
28 other things, the non-recourse obligations of, a Lehman Nominee to which a PRA Recovery Security

1 Project is conveyed pursuant to the Lehman Plan Sale Procedures, as more fully set forth in Section
2 9.8(c)(iii) of the Lehman Plan.

3 **Remaining Other Assets.** All of the then remaining Assets of the Plan Debtors' Estates
4 excluding the Projects, as of the point in time referenced in any particular utilization of this term in
5 the Lehman Plan.

6 **Remaining Real Estate Projects.** All of the then remaining Projects as of the point in time
7 referenced in any particular utilization of this term in the Lehman Plan.

8 **Residual Cash.** As to any particular Plan Debtor's Estate, Net Cash Proceeds derived from
9 the liquidation by the Liquidating Trustee of any Remaining Real Estate Projects owned by such
10 Estate and any Remaining Other Assets of such Estate, including any applicable Net Cash Litigation
11 Recoveries in which such Estate has an interest, to the extent not subject to a Secured Claim (or to a
12 Claim to which such Secured Claim is subordinated) and remaining after payment or reserve for the
13 Lehman Post-Confirmation Funding and, as provided in the Lehman Plan, certain Post-Confirmation
14 Expenses, post-Confirmation Date intercompany payables and due and payable Allowed
15 Administrative Claims, Allowed Priority Claims and Allowed Priority Tax Claims, all as more fully
16 set forth in Section **Error! Reference source not found.** of the Lehman Plan. Residual Cash does
17 not include the Guaranteed Minimum Distribution.

18 **Ritter Cash.** As of the Effective Date, the Cash owned by Palmdale Hills or in which
19 Palmdale Hills has any residual interest and held in escrow, reserve or other accounts for the benefit
20 of Lehman Commercial and securing the loans made pursuant to the Ritter Ranch Loan Agreement.

21 **Ritter Ranch Loan Agreement.** That certain Credit Agreement, dated as of February 8,
22 2007, by and among Palmdale Hills, as borrower, and Lehman Commercial, as administrative agent
23 and lender, pursuant to which the lenders thereunder made loans to the borrower in the maximum
24 aggregate principal amount of approximately \$264,000,000. The loans made pursuant to and/or
25 evidenced by the Ritter Ranch Loan Agreement are secured by, among other things, a first priority
26 deed of trust on the Ritter Ranch Project. The outstanding balance of the loans under the Ritter
27 Ranch Loan Agreement was not less than \$287,252,096.31 as of the applicable Petition Date.
28

1 **Ritter Ranch Project.** The Project owned by Palmdale Hills, located in the City of
2 Palmdale, California, as more particularly described in **Exhibit “B”** to the Lehman Plan.

3 **Sales Procedures Motion.** The motion of the Trustee Debtors and certain Voluntary
4 Debtors, Filed February 18, 2009, as modified, seeking approval of overbid procedures for a sale of
5 certain Projects and denial of any right of the Lehman Creditors to overbid in connection with such
6 sale.

7 **SCC Communities.** SCC Communities, LLC, a limited liability company, a Voluntary
8 Debtor in these Cases, and the owner of the Joshua Ridge Project.

9 **SCC LLC.** SCC Acquisitions LLC, a Delaware limited liability company, a subsidiary of
10 Acquisitions and an indirect and/or a direct parent of each of the Debtors, but not itself a Debtor in
11 any of the Cases.

12 **SCC Palmdale.** SCC Palmdale, LLC, a Delaware limited liability company, a Voluntary
13 Debtor in these Cases, and the Holder of the Allowed Interest in Palmdale Hills.

14 **SCC Palmdale Loan Agreement.** That certain Mezzanine Credit Agreement, between SCC
15 Palmdale, as borrower, and Lehman Commercial, as lender, pursuant to which the lender thereunder
16 made a loan to the borrower in the maximum aggregate principal amount of approximately
17 \$95,000,000. The loan made pursuant to and/or evidenced by the SCC Palmdale Loan Agreement is
18 secured by a pledge of SCC Palmdale's Allowed Interest in Palmdale Hills. The outstanding balance
19 of the loan under the SCC Palmdale Loan was not less than \$119,664,305.25 as of the applicable
20 Petition Date.

21 **Schedules.** The schedules of assets and liabilities and list of equity security holders Filed by
22 the Debtors, as required by Section 521(1) of the Bankruptcy Code, Bankruptcy Rules 1007(a)(3)
23 and (b)(1), and Official Bankruptcy Form No. 6, as amended from time to time.

24 **Secured Claim.** Any Claim, including interest, fees, costs, and charges to the extent
25 allowable pursuant to Bankruptcy Code Section 506, to the extent that it is secured by a valid and
26 unavoidable Lien on the Plan Debtor(s)' Assets.

1 **Secured Real Property Tax Claims.** Secured Claims, other than Priority Tax Claims, held
2 by various government entities for real property tax assessments secured by Liens on the underlying
3 real properties owned by the Plan Debtors but that are non-recourse to the Plan Debtors.

4 **Settling ES Claimant(s):** (1) a Settling ES Claimant by Vote or (2) an ES Claimant in an
5 Estate which accepts the ES Settlement Offer.

6 **Settling ES Claimant(s) by Vote:** Each ES Claimant who votes for acceptance of the ES
7 Settlement Offer on its Ballot and returns with the Ballot an ES Claimant Release and Assignment
8 duly executed by such ES Claimant, included with the Ballot.

9 **Seven Brothers.** Seven Brothers, LLC, a Delaware limited liability company, a Voluntary
10 Debtor in these Cases, and the owner of that portion of the Summit Valley Project not owned by
11 Kirby Estates or SunCal Summit Valley.

12 **SJD Development.** SJD Development Corp., a California corporation, a Voluntary Debtor in
13 these Cases, and the Holder of an Allowed Interest in SJD Partners.

14 **SJD Partners.** SJD Partners, Ltd., a California limited partnership, a Voluntary Debtor in
15 these Cases, and the prior owner of the Pacific Point Project.

16 **Successful Bidder.** With respect to the each Remaining Real Estate Project, the successful
17 bidder at the auction for the sale of such Remaining Real Estate Project conducted by the
18 Liquidating Trustee pursuant to the Lehman Plan Sale Procedures.

19 **Summit Valley Project.** The Project owned in part by SunCal Summit Valley, Seven
20 Brothers and Kirby Estates, located in the City of Hesperia, California, as more particularly
21 described in **Exhibit “B”** to the Lehman Plan.

22 **SunCal.** The SunCal Companies, a trade name for Acquisitions and its Affiliates.

23 **SunCal I.** SunCal Communities I, LLC, a Delaware limited liability company, a Voluntary
24 Debtor in these Cases, and the owner of the equity membership interests in Acton Estates, SunCal
25 Bickford, SunCal Beaumont, SunCal Summit Valley, SunCal Johansson and SunCal Emerald.

26 **SunCal III.** SunCal Communities III, LLC, a Delaware limited liability company, a
27 Voluntary Debtor in these Cases.
28

1 **SunCal Beaumont.** SunCal Beaumont Heights, LLC, a Delaware limited liability company,
2 a Voluntary Debtor in these Cases, and the owner of the Beaumont Heights Project.

3 **SunCal Bickford.** SunCal Bickford Ranch, LLC, a Delaware limited liability company, a
4 Voluntary Debtor in these Cases, and the owner of the Bickford Ranch Project.

5 **SunCal Century City.** SunCal Century City, LLC, a Delaware limited liability company, a
6 Trustee Debtor in these Cases, and the owner of the 10000 Santa Monica Project.

7 **SunCal Century City Loan Agreement.** That certain Loan Agreement, dated as of August
8 11, 2006, by and between SunCal Century City, as borrower and Lehman ALI, as agent and sole
9 lender pursuant to which Lehman ALI made a loan in the aggregate maximum principal amount of
10 approximately \$120,000,000. The SunCal Century City Loan Agreement is secured by a first-
11 priority deed of trust on the 10000 Santa Monica Project. The SunCal Century City Loan Agreement
12 has a balance due of \$120,000,000.00 as of April 1, 2009.

13 **SunCal Communities I Loan Agreement.** That certain Credit Agreement, dated as of
14 November 17, 2005, by and among (i) SunCal I and SunCal III, as borrowers, Lehman Brothers,
15 Inc., as sole advisor, sole lead arranger and sole bookrunner, and Lehman Commercial, as
16 syndication and administrative agent and sole lender, pursuant to which the lenders thereunder made
17 a loan to the borrowers in the maximum aggregate principal amount of approximately
18 \$395,313,713.37. The loan made pursuant to and/or evidenced by the SunCal Communities I Loan
19 Agreement is secured directly or indirectly by (a) first priority deeds of trust on the SunCal Bickford,
20 the Acton Estates, and the SunCal Emerald Projects, (b) pledges of SunCal I's Allowed Interest in
21 Acton Estates, SunCal Summit Valley, SunCal Beaumont; SunCal Johannson, SunCal Emerald, and
22 SunCal Bickford; and (c) pledges of SunCal Summit Valley's Allowed Interest in Seven Brothers
23 and Kirby Estates. The outstanding balance of the loan under the SunCal Communities I Loan
24 Agreement was \$343,221,391.06 as of the applicable Petition Date.

25 **SunCal Emerald.** SunCal Emerald Meadows, LLC, a Delaware limited liability company, a
26 Voluntary Debtor in these Cases, and the owner of the Emerald Meadows Project.

27 **SunCal Heartland.** SunCal Heartland, LLC, a Delaware limited liability company, a
28 Trustee Debtor in these Cases, and the owner of the Heartland Project

1 **SunCal Johansson.** SunCal Johansson Ranch, LLC, a Delaware limited liability company,
2 a Voluntary Debtor in these Cases, and the owner of the Johansson Ranch Project.

3 **SunCal Marblehead.** SunCal Marblehead, LLC, a Delaware limited liability company, a
4 Trustee Debtor in these Cases, and the owner of the Marblehead Project.

5 **SunCal Marblehead / SunCal Heartland Loan Agreement.** That certain Second
6 Amended and Restated Term Loan and Revolving Line of Credit Loan Agreement, dated as of
7 October 3, 2007, by and among SunCal Marblehead Heartland Master LLC, SunCal Marblehead,
8 and SunCal Heartland, as borrowers, and Lehman ALI, as agent and sole lender, pursuant to which
9 the lenders thereunder made loans to the borrowers in the maximum aggregate principal amount of
10 approximately \$316,061,300. The loans made pursuant to and/or evidenced by the SunCal
11 Marblehead / SunCal Heartland Loan Agreement are secured by first priority deeds of trust on the
12 Marblehead and the Heartland Projects. The outstanding aggregate balance of the loans under the
13 SunCal Marblehead / SunCal Heartland Loan Agreement was not less than \$354,325,126.15 as of
14 the applicable Petition Date.

15 **SunCal Northlake.** LB/L-SunCal Northlake, LLC, a Delaware limited liability company, a
16 Trustee Debtor in these Cases, and the owner of the Northlake Project.

17 **SunCal Northlake Loan Agreement.** That certain Term Loan and Revolving Line of
18 Credit Loan Agreement, dated as of September 9, 2005, between SunCal Northlake, as borrower,
19 and Northlake Holdings, as successor agent and sole lender, pursuant to which the lenders
20 thereunder made loans in the maximum aggregate principal amount of approximately \$100,000,000.
21 The loans made pursuant to and/or evidenced by the SunCal Northlake Loan Agreement are secured
22 by a first priority deed of trust on the Northlake Project. The outstanding aggregate balance of the
23 loans under the SunCal Northlake Loan Agreement was not less than \$123,654,776.88 as of the
24 applicable Petition Date.

25 **SunCal Oak Knoll.** SunCal Oak Knoll, LLC, a Delaware limited liability company, a
26 Trustee Debtor in these Cases, and the owner of the Oak Knoll Project.

27 **SunCal Oak Knoll/SunCal Torrance Loan Agreement.** That certain Loan Agreement,
28 dated as of November 30, 2006, between SunCal Torrance and SunCal Oak Knoll, as borrowers, and

1 Lehman ALI, as agent and sole lender, pursuant to which the lenders thereunder made a loan to the
2 borrowers in the maximum aggregate principal amount of approximately \$167,700,000. The loans
3 made pursuant to and/or evidenced by the SunCal Oak Knoll/SunCal Torrance Loan Agreement are
4 secured by first priority deeds of trust on the Oak Knoll and the Del Amo Projects. The outstanding
5 aggregate balance of the loans under the SunCal Oak Knoll/SunCal Torrance Loan Agreement was
6 not less than \$157,870,186.15 as of the applicable Petition Date.

7 **SunCal Oak Valley.** LB/L-SunCal Oak Valley, LLC, a Delaware limited liability company,
8 a Trustee Debtor in these Cases, and the owner of the Oak Valley Project.

9 **SunCal Oak Valley Loan Agreement.** That certain Term Loan and Revolving Line of
10 Credit Loan Agreement, dated as of May 23, 2006, by and between SunCal Oak Valley, as borrower,
11 and OVC Holdings, as successor agent and sole lender, pursuant to which the lenders thereunder
12 made loans to the borrower in the maximum aggregate principal mount of approximately
13 \$120,000,000. The loans made pursuant to and/or evidenced by the SunCal Oak Valley Loan
14 Agreement are secured by a first priority deed of trust on the Oak Valley Project. The outstanding
15 aggregate balance of the loans under the SunCal Oak Valley Loan Agreement was not less than
16 \$143,630,091.63 as of the applicable Petition Date.

17 **SunCal PSV.** SunCal PSV, LLC, a Delaware limited liability company, a Trustee Debtor in
18 these Cases, and the owner of the Palm Springs Village Project.

19 **SunCal PSV Loan Agreement.** That certain Term Loan and Revolving Line of Credit Loan
20 Agreement, dated as of February 12, 2007, between SunCal PSV, as borrower, and Lehman ALI, as
21 agent and sole lender, pursuant to which the lenders thereunder made loans to the borrower in the
22 maximum aggregate principal amount of approximately \$90,000,000. The loans made pursuant to
23 and/or evidenced by the SunCal PSV Loan Agreement are secured by a first priority deed of trust on
24 the Palm Springs Village Project. The outstanding aggregate balance of the loans under the SunCal
25 PSV Loan Agreement was not less than \$88,257,340.20 as of the applicable Petition Date.

26 **SunCal Summit Valley.** SunCal Summit Valley, LLC, a Delaware limited liability
27 company, a Voluntary Debtor in these Cases, the owner of that portion of the Summit Valley Project
28

not owned by Kirby Estates or Seven Brothers, and the Holder of Allowed Interests in Kirby Estates and Seven Brothers.

SunCal Torrance. SunCal Torrance, LLC, a Delaware limited liability company, a Trustee Debtor in these Cases, and the owner of the Del Amo Project.

Tax. Any tax, charge, fee, levy, impost or other assessment by any federal, state, local or foreign taxing authority, including, without limitation, income, excise, property, sales, transfer, employment, payroll, franchise, profits, license, use, ad valorem, estimated, severance, stamp, occupation and withholding tax. "Tax" shall include any interest or additions attributable to, or imposed on or with respect to such assessments.

Tesoro. Tesoro SF, LLC, a Delaware limited liability company, a Voluntary Debtor in these Cases, and the owner of the Tesoro Project.

Tesoro Project. The Project owned by Tesoro located in the City of Santa Clarita, California, as more particularly described in **Exhibit "B"** to the Lehman Plan.

Trustee. Steven M. Speier, the duly appointed trustee of the Trustee Debtors or any successor trustee for the Trustee Debtors.

Trustee Debtor(s). The following chapter 11 debtors, individually or collectively, that are represented by the Trustee: Delta Coves, SunCal Heartland, SunCal Marblehead, SunCal Northlake, SunCal Oak Valley, SunCal Century City, SunCal PSV, SunCal Torrance, and SunCal Oak Knoll.

Trustee Debtors' Committee. The Official Committee of Unsecured Creditors of the Trustee Debtors appointed in the Cases of the Trustee Debtors pursuant to Section 1102 of the Bankruptcy Code.

Unclaimed Property. Cash held for Distribution if either (1) such the Distribution of Cash to the Holder of any Allowed Claim is returned to the Liquidating Trustee (*e.g.*, as undeliverable) and the check or other similar instrument or Distribution remains unclaimed for one hundred twenty (120) days from sending or (2) the check or other similar instrument used for the Distribution to the Holder of any Allowed Claim remains uncashed for one hundred twenty (120) days from sending; or (3) the Liquidating Trustee does not have an address for a Holder of any Allowed Claim on the date

1 such Distribution first could have been made under the Plan and for one hundred twenty (120) days
2 thereafter.

3 **Voluntary Debtor(s).** The following chapter 11 debtors and debtors-in-possession,
4 individually or collectively, Palmdale Hills, SunCal I, SunCal III, SCC Palmdale, Acton Estates,
5 SunCal Beaumont, SunCal Emerald, SunCal Johansson, SunCal Bickford, SunCal Summit Valley,
6 Seven Brothers, Kirby Estates, SJD Partners, SJD Development, SCC Communities, Del Rio and
7 Tesoro.

8 **Voluntary Debtors' Committee.** The Official Committee of Unsecured Creditors of the
9 Voluntary Debtors appointed in the Cases of the Voluntary Debtors pursuant to Section 1102 of the
10 Bankruptcy Code.

11 2. **Rules of Construction.** For purposes of the Lehman Plan and the Lehman Disclosure
12 Statement, unless otherwise provided herein or in the Lehman Disclosure Statement, (a) whenever
13 from the context it is appropriate, each term, whether stated in the singular or the plural, will include
14 both the singular and the plural; (b) each pronoun stated in the masculine, feminine or neuter
15 includes the masculine, feminine and neuter; (c) any reference in the Lehman Plan or the Lehman
16 Disclosure Statement to an existing document or schedule Filed or to be Filed means such document
17 or schedule, as it may have been or may be amended, modified or supplemented pursuant to the
18 Lehman Plan; (d) any reference to an entity as a Holder of a Claim or Interest includes that entity's
19 successors and assigns; (e) except as otherwise indicated herein all references in the Lehman Plan or
20 the Lehman Disclosure Statement to Sections and Articles are references to Sections and Articles of
21 or to the Lehman Plan; (f) unless otherwise indicated, the words "therein," "thereunder" and
22 "thereto" refer to the Lehman Plan in its entirety rather than to a particular portion of the Lehman
23 Plan; (g) unless otherwise provided in the Lehman Plan or the Lehman Disclosure Statement, any
24 reference in the Lehman Plan or the Lehman Disclosure Statement to a contract, instrument, release,
25 indenture, agreement, or other document being in a particular form or on particular terms and
26 conditions means that such document shall be substantially and materially in such form or
27 substantially and materially on such terms and conditions; (h) any reference in the Lehman Plan or
28 the Lehman Disclosure Statement to a document or schedule to the Lehman Plan, Plan Documentary

Supplement, or Lehman Disclosure Statement Filed or to be Filed means such document or schedule,
as it may have been or may be amended, modified, or supplemented; and (i) the rules of construction
set forth in section 102 of the Bankruptcy Code shall apply to the extent such rules are not
inconsistent with the express terms of the Lehman Plan or the Lehman Disclosure Statement or any
other provision in this Section.

EXHIBIT 1

EXHIBIT 1

SUMMARY OF HEALTH AND SAFETY NOTICES

Ex. No	Citation	Date	Issuing Agency	Applicable Projects
1	Notice of Violation of the California Coastal Act	June 4, 2009	California Coastal Commission	Marblehead Project
2	Order to Abate – Habitability Hazards	June 12, 2009	City of Oakland	Oak Knoll Project
3	Notice of Violation	April 1, 2009	City of Palm Springs Department of Building & Safety	Palm Springs Village Project
4	Request for Supplemental Deposit	February 19, 2009	Los Angeles County Department of Regional Planning	Tesoro Project
5	Notice of Violation, Construction Storm Water General Permit No. CAS000002, Delta Coves Venture LLC SunCal Company, WDID No. 5S07C344548, Contra Costa County	October 17, 2008	California Regional Water Quality Control Board	Delta Coves Project
6	Administrative Citation for Violations of the City of San Clemente Municipal Code (SCMC); Storm Water Runoff Control (Chapter 13, 40) and Excavations & Grading	October 15, 2008	City of San Clemente, Engineering Division	Marblehead Project
7	Notice to Comply	October 14, 2008	Contra Costa County – Building Inspection Department	Delta Coves Project
8	Notice of Violation No. A49456	October 9, 2008	Bay Area Air Quality Management District	Delta Coves Project
9	Notice of Violation No. A 49457	October 10, 2008	Bay Area Air Quality Management District	Delta Coves Project
10	Contra Costa County Stormwater Pollution Prevention Plan Notice of	October 7, 2008	Contra Costa County	Delta Coves Project

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	Correction			
11	Letter from City of Palmdale	March 10, 2009	City of Palmdale	Palmdale Hills

PACHULSKI STANG ZIEHL & JONES LLP
ATTORNEYS AT LAW
LOS ANGELES, CALIFORNIA

EXHIBIT 2

EXHIBIT "2"

	Class	Loan	Plan Debtor: Claim #	Lehman ALI	LCPI	Northlake Holdings	OVC Holdings	Lehman Re*	Fenway Capital*
1	2.1-2.4	SunCal Communities I Loan Agreement Claim Filed by Lehman Commercial: \$343,221,391.06	Acton Estates; Acton Estates: 6 SunCal Emerald; SunCal Emerald: 7 SunCal Bickford; SunCal Bickford: 16 SunCal Summit Valley; SunCal Summit Valley: 12						\$343,221,391.06
2	2.5	Ritter Ranch Loan Agreement Claim Filed by Lehman Commercial: \$287,252,096.31	Palmdale Hills; Palmdale Hills: 65		\$43,637,046.39				\$243,615,049.90
3	2.6 - 2.8	Interim Loan Agreement Claim Filed by Lehman ALI: \$23,795,012.59	SCC Communities; SCC Communities: 9 Del Rio; Del Rio: 14; Tesoro; Tesoro: 7	\$23,795,012.59					
4	2.9-210	SunCal Oak Knoll/SunCal Torrance Loan Agreement Claim Filed by Lehman ALI: \$158,141,364.64	SunCal Oak Knoll; SunCal Oak Knoll: 12 SunCal Torrance; SunCal Torrance: 4	\$158,141,364.64					
5	2.11	Delta Coves Loan Agreement Claim Filed by Lehman ALI: \$206,023,142.48	Delta Coves; Delta Coves 21						\$206,023,142.48
6	2.12 -2.13	SunCal Marblehead / SunCal Heartland Loan Agreement Claim Filed by Lehman ALI: \$354,325,126.15	SunCal Heartland; SunCal Heartland: 9	\$11,200,606.79					\$343,124,519.35
7	2.13 2.14	SunCal Oak Valley Loan Agreement Claim Filed by OVC Holdings: \$141,630,091.63	SunCal Marblehead; SunCal Marblehead: 21 SunCal Oak Valley; SunCal Oak Valley 16				\$32,769,837.35		\$108,671,526.00
8	2.15	SunCal Northlake Loan Agreement Claim Filed by Northlake Holdings: \$123,654,776.88	SunCal Northlake; SunCal Northlake 6			\$39,653,078.69			\$84,001,698.19
9	2.16	SunCal PSV Loan Agreement Claim Filed by Lehman ALI: \$88,257,340.20	SunCal PSV; SunCal PSV 12	\$88,257,340.20					\$76,719,265.09
10	7.20	SunCal Bickford 2nd Lien Loan Agreement Claim Filed by Lehman ALI: \$56,494,059.38	SunCal Bickford; SunCal Bickford 17	\$56,494,059.38					
11	7.24	SCC Palmdale Loan Agreement Claim Filed by Lehman Commercial: \$119,664,305.25	SCC Palmdale; SCC Palmdale 1		\$119,664,305.25				
12	2.17	Pacific Point First Loan Agreement** Claim Filed by Lehman ALI: \$120,110,236.78	SJD Partners; SJD Partners 23	\$18,510,054.68				\$101,600,182.00	
	Totals by Lehman Creditor without Contingent Claims:			\$356,398,438.28	\$163,301,351.64	\$39,653,078.69	\$32,769,837.35	\$101,600,182.00	\$1,405,376,592.07
	Totals for all Lehman Lenders without Contingent Claims:			\$592,122,705.96					
	Total for all Lehman Creditors without Contingent Claims:			\$2,099,099,480.03					
	Contingent Claim:								
13	7.11	2nd Lien Loan Claim Filed by Lehman ALI: approximately \$28 million (Contingent)	SJD Partners; SJD Partners 24	\$28,000,000.00					
	Totals by Lehman Creditor:			\$384,398,438.28	\$163,301,351.64	\$39,653,078.69	\$32,769,837.35	\$101,600,182.00	\$1,405,376,592.07
	Totals for Lehman Lenders:			\$620,122,705.96					
	Totals for all Lehman Creditors			\$2,127,099,480.03					

* All or the term component of each loan for which an amount in the table above is attributed to Lehman Successors Fenway Capital or Lehman Re was the subject of a repurchase agreement between such Lehman Successor and a Lehman Lender. The Bankruptcy Court has ruled that the transactions with respect to certain of such Lehman Loans resulted in sales of loans or the term components thereof to Fenway Capital. The Lehman Creditors have reserved all rights in connection with such ruling, including, without limitation, the right to appeal the ruling, assert that the transactions under any repurchase agreement constitutes a transfer for security and not an outright sale, and all of the Lehman Creditors' other rights in connection with the relevant Claim.

** Although the obligation under this loan agreement presently is a General Unsecured Claim against SJD Partners, the Claim is a contingent Secured Claim, contingent upon the Pacific Point Foreclosure being set aside.

In re:

PALMDALE HILLS PROPERTY, LLC. AND ITS RELATED DEBTORS,

Debtor(s).

CHAPTER 11

CASE NUMBER 08-17206-ES

NOTE: When using this form to indicate service of a proposed order, **DO NOT** list any person or entity in Category I. Proposed orders do not generate an NEF because only orders that have been entered are placed on the CM/ECF docket.

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
10100 Santa Monica Blvd., 11th Floor, Los Angeles, CA 90067

A true and correct copy of the foregoing document described as **AMENDED DISCLOSURE STATEMENT WITH RESPECT TO FIRST AMENDED JOINT CHAPTER 11 PLAN PROPOSED BY LEHMAN LENDERS** will be served or was served **(a)** on the **judge in chambers** in the form and manner required by LBR 5005-2(d); and **(b)** in the manner indicated below:

I. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF") – Pursuant to controlling General Order(s) and Local Bankruptcy Rule(s) ("LBR"), the foregoing document will be served by the court via NEF and hyperlink to the document. On **October 13, 2009** I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following person(s) are on the Electronic Mail Notice List to receive NEF transmission at the email address(es) indicated below:

☒ Service information continued on attached page

II. SERVED BY U.S. MAIL OR OVERNIGHT MAIL (indicate method for each person or entity served):

On _____ I served the following person(s) and/or entity(ies) at the last known address(es) in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States Mail, first class, postage prepaid, and/or with an overnight mail service addressed as follows. *Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.*

☐ Service information continued on attached page

III. SERVED BY PERSONAL DELIVERY, FACSIMILE TRANSMISSION OR EMAIL (indicate method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on **October 13, 2009** I served the following person(s) and/or entity(ies) by personal delivery, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. *Listing the judge here constitutes a declaration that personal delivery on the judge will be completed no later than 24 hours after the document is filed.*

JUDGE'S COPY [via Personal Delivery]

The Honorable Erithe A. Smith
 United States Bankruptcy Court - Central District of California
 Ronald Reagan Federal Building and
 United States Courthouse
 411 West Fourth Street, Suite 5041
 Santa Ana, CA 92701-4593

☒ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

October 13, 2009

Date

Myra Kulick

Type Name

/s/ Myra Kulick

Signature

In re:

PALMDALE HILLS PROPERTY, LLC. AND ITS RELATED DEBTORS,

Debtor(s).

CHAPTER 11

CASE NUMBER 08-17206-ES

I. SERVED BY NEF**8:08-bk-17206-ES Notice will be electronically mailed to:**

1. Selia M Acevedo for Interested Party Courtesy NEF
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2. Joseph M Adams for Defendant The City of San Juan Capistrano
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11. Vincent M Coscino for Petitioning Creditor CST Environmental Inc
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13. Jonathan S Dabbieri for Interested Party Courtesy NEF
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15. Melissa Davis for Creditor City of Orange
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20. Lei Lei Wang Ekvall for Creditor Committee Joint Committee of Creditors Holding Unsecured Claims
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21. Richard W Esterkin for Debtor Palmdale Hills Property, LLC
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22. Lisa Hill Fenning for Defendant Fenway Capital, LLC
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In re:

PALMDALE HILLS PROPERTY, LLC. AND ITS RELATED DEBTORS,

Debtor(s).

CHAPTER 11

CASE NUMBER 08-17206-ES

23. Marc C Forsythe for Attorney Robert Goe
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39. Irene L Kiet for Creditor BNB Engineering, Inc.
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40. Mark J Krone for Creditor Bond Safeguard Insurance Co
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44. Kerri A Lyman for Attorney Irell & Manella LLP
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45. Mariam S Marshall for Creditor RGA Environmental, Inc.
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46. Robert C Martinez for Creditor TC Construction Company, Inc
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In re:

PALMDALE HILLS PROPERTY, LLC. AND ITS RELATED DEBTORS,

Debtor(s).

CHAPTER 11

CASE NUMBER 08-17206-ES

47. Hutchison B Meltzer for Creditor Committee Joint Committee of Creditors Holding Unsecured Claims
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48. Joel S. Miliband for Creditor RBF CONSULTING
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54. Robert B Orgel for Creditor Lehman ALI, Inc.
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68. Joshua D Wayser for Other Professional D. E. Shaw & Co., L.P.
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69. Christopher T Williams for Creditor Danske Bank A/S London Branch
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70. Marc J Winthrop for Debtor Palmdale Hills Property, LLC
pj@winthropcouchot.com

In re:

PALMDALE HILLS PROPERTY, LLC. AND ITS RELATED DEBTORS,

Debtor(s).

CHAPTER 11

CASE NUMBER 08-17206-ES

71. David M Wiseblood for Creditor Bethel Island Municipal Improvement District
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72. Arnold H Wuhrman for Creditor Wayne Lee
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73. Dean A Ziehl for Creditor LV Pacific Point, LLC
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III. SERVED BY E-MAIL

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(3) counsel for the Voluntary Debtors' Committee:

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Kerri A Lyman - klyman@irell.com

(4) counsel for the Trustee Debtors' Committee:

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(5) Office of the United States Trustee:

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Martin Pritikin - mpritikin@millerbarondess.com

Steven N. Speier (Chapter 11 Trustee, c/o Squar Nilner) - sspeier@squarmilner.com; ca85@ecfcbis.com

Edward Soto - Edward.soto@weil.com

Carrolynn H. G. Callari - ccallari@venable.com

John Sieger - john.sieger@kattenlaw.com

Atty for P. Volkerts - c.martin@pprlaw.net

Atty for Bond Safeguard & Lexon - mea@amclaw.com

Palmdale Hills Property, LLC and its related entities - bcook@suncal.com

File a Plan:

[8:08-bk-17206-ES Palmdale Hills Property, LLC](#)

Type: bk

Chapter: 11 v

Office: 8 (Santa Ana)

Assets: y

Judge: ES

Case Flag: JNTADMN, LEAD,
Incomplete, DEFER, APPEAL

U.S. Bankruptcy Court

Central District Of California

Notice of Electronic Filing

The following transaction was received from Robert B Orgel entered on 10/13/2009 at 11:05 PM PDT and filed on 10/13/2009

Case Name: Palmdale Hills Property, LLC

Case Number: [8:08-bk-17206-ES](#)

Document Number: [711](#)

Docket Text:

Amended Disclosure Statement *Amended Disclosure Statement with Respect to First Amended Joint Chapter 11 Plan Proposed by Lehman Lenders* Filed by Creditors Lehman ALI, Inc., Lehman Commercial Paper Inc., Northlake Holding LLC, OVC Holdings LLC (RE: related document(s)[568] *Disclosure Statement with Respect to Joint Chapter 11 Plan Proposed by Lehman Lenders*). (Orgel, Robert)

The following document(s) are associated with this transaction:

Document description: Main Document

Original filename: C:\fakepath\205341v13 Disclosure Statement -- Lehman Creditors.pdf

Electronic document Stamp:

[STAMP bkecfStamp_ID=1106918562 [Date=10/13/2009] [FileNumber=28930224-0] [0ee8a061ff8600ba50459044de41eb5c6b4d70bb52f1411e7ab4eeab13b21cdf23c57579bdf44cfe7030ae63f047973bc244d23a27d785cc88211a66ebee943]]

8:08-bk-17206-ES Notice will be electronically mailed to:

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John A Boyd on behalf of Interested Party Oliphant Golf Inc
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Brendt C Butler on behalf of Creditor EMR Residential Properties LLC
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Paul J Couchot on behalf of Debtor ACTON ESTATES, LLC
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Alan J Friedman on behalf of Attorney Irell & Manella LLP
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Christian J Gascou on behalf of Creditor Arch Insurance Company
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Robert P Goe on behalf of Attorney Robert Goe
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Kelly C Griffith on behalf of Creditor Bond Safeguard Insurance Co
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